THE ROUND TABLE is a co-operative enterprise conducted by people who dwell in the different parts of the British Commonwealth, and whose aim is to publish once a quarter a comprehensive review of Imperial politics, free from the bias of local party issues. To this is added a careful and impartial treatment of outstanding international problems that affect the nations of the Commonwealth. The affairs of THE ROUND TABLE in each portion of the Commonwealth are in the hands of local residents, who are responsible for all articles on the politics of their own country. It is hoped that in this way THE ROUND TABLE serves to reflect the current opinions of all parts about Imperial problems, and at the same time to present a survey of them as a whole, in the light of changing world conditions.

THE ROUND TABLE

A QUARTERLY REVIEW OF THE POLITICS OF THE BRITISH COMMONWEALTH

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THE IMPERIAL CONFERENCE

I. *Discussion or Decision?*

THE function of the Imperial Conference, said Mr. Mackenzie King on his return to Canada from the Conference of 1937, is discussion and review, not decision and action. There are signs that this apologetic view of the chief conclave of the British Commonwealth is becoming generally accepted. Imperial Conferences, said Mr. Neville Chamberlain at the final session last July, are not summoned to solve any particular problem or to achieve any specific result. If, he added, in the course of their deliberations the members of these " family gatherings " could attain to a clearer understanding of one another's difficulties and problems and, in the end, establish a general harmony of aims and of policy, then the objects of the Conference had been achieved. It is difficult to imagine Mr. Chamberlain using such words of an earlier Imperial Conference with which he was prominently connected, the Imperial Economic Conference of 1932. Had no more than a "general harmony" of aims and of policy been secured at Ottawa, the son of Joseph Chamberlain would hardly have failed to express disillusionment. Yet if decision and action could be obtained in the extremely complex and difficult field of tariffs, need discussion and review be accepted as the sole and sufficient end of political Imperial Conferences?

Previous Conferences since the war have not been so reluctant to decide: permanent organs of co-operation have been created, procedure laid down for the conduct of diplomacy by Commonwealth members, the constitutional structure of the Commonwealth radically reformed. It is true that the most memorable products of the Conferences of 1926 and 1930—the Balfour report and the Statute of

Westminster—were steps in the transformation of the British Empire into a Commonwealth of fully independent and self-governing nations, a transformation now virtually completed. We should, no doubt, be thankful that no further decision or action in this direction was needed at the Coronation Conference. Yet, just because the independence of the Dominions has been fully established, it is all the more necessary that on vital matters of common concern the Imperial Conference should secure the greatest possible measure of common policy, more permanent and centralised means of securing it having been discarded. Just because that independence has been assured and tested in practice, moreover, agreement should be all the more easily attained, since the Dominions need no longer fear that the London meetings might be used as a brake on their march to full nationhood.

The Imperial Conference as such has no executive or legislative authority. Its decisions, and the actions resulting, are the independent decisions and actions of its member Governments. Hence its confessed inability to decide or act must be due either to the separate inability of those Governments to decide for themselves, or to their inability to reach common decisions, or to a combination of both causes. Some Ministers are temperamentally averse to decision that can be evaded or delayed; others, with a general election on the horizon, may hesitate to take actions that may lose them votes in some quarters without compensation in others. These accidents of democracy cannot be escaped. But there is also growing up a weed of political theory that threatens to sap the strength of responsible government as it has flourished through generations of British history. This is the theory that important executive decisions cannot be taken without prior assent of Parliament. Here is false and dangerous doctrine. Governments cannot govern if they are only administrative delegates of parliamentary assemblies. They must indeed answer for their decisions to Parliament, and ultimately to

the electorate, but beyond the detailed process of legislation it is the right and the duty of Governments to decide.

II. Foreign Policy

IN no field is this more important than in the field of foreign policy; for it is plain that foreign policy cannot be conducted by parliaments. And in no field has the weed done more to strangle the proper purpose of the Imperial Conference. If a Dominion Prime Minister cannot take vital decisions on foreign policy, either at the Imperial Conference or elsewhere, because he must first consult his Parliament, then the result must be that that Dominion cannot have a foreign policy. And in that event there can be no British Commonwealth foreign policy, since that phrase can mean no more than a communion of six independent foreign policies. But could there not be a foreign policy for the British Commonwealth less one Dominion? In that question is summed up one of the major practical issues in Commonwealth relations to-day. Perhaps the Imperial Conference has been driven to accept a humble view of its own purpose through striving for a unanimity that cannot be attained, and failing to gather the fruits of partial agreement. Perhaps if it concentrated less on the need for speaking with a single voice, its published conclusions would be less muffled by the vague generalities that fill too much space in the " Summary of Proceedings " of the 1937 Conference.*

The danger of this line of thinking is obvious. Especially in matters of foreign policy, unanimity among the British Commonwealth nations has an immense value for its own sake. Not only is it unwise to expose to the rest of the world apparent fissures which in the event may not prove real; great authority attaches to pronouncements simply because they can be uttered with a single voice by

* Cmd. 5482. The bulk of the text of this document is reproduced below, pp. 888–905.

all the nations of the Commonwealth. In the rather tepid phraseology of the 1937 Conference, "the influence of each of them in the cause of peace is likely to be greatly enhanced by their common agreement to use that influence in the same direction". Moreover, if the Commonwealth is not a community it is nothing; for its constitutional and political structure derives meaning and vitality only from the spirit of fellowship that animates it. A community must needs have common purposes, backed by common interests. Broad and unformulated as those common purposes may be, they must dictate some measure of common policy. Neglect of common policy may therefore mean the disintegration of the Commonwealth itself.

There is no simple formula for solving the difficulties of Commonwealth relations. Common policy must be based on common interests if it is to survive the buffets of internal and external fortune. The integrity of the British Commonwealth is indeed an outstanding common interest for all its members, but each of them, in Mr. Mackenzie King's words,

> has a distinct geographical position, with all the consequences in differences of neighbours, differences in the nature of the international problems each has to face, differences of emphasis and preoccupation, that follow. Each has its special economic structure, its special racial background, its special constitutional and political problem. These differences must receive full consideration in any responsible and realistic expression of their policies

In his final speech to the Imperial Conference, Mr. Lyons differentiated between fundamental principles, on which there was "remarkable unanimity", and the methods to be adopted for achieving the agreed objectives, on which there were "differences of opinion". He was referring particularly to international affairs and defence. The points of agreement on foreign policy, however, as they are recorded in the Summary of Proceedings, include items of method as well as principle. The distinction, of course, is not a hard and fast one, but these seem to be fundamental principles: the pursuit of peace, and the use of arms for no

purpose inconsistent with the League Covenant or the Kellogg Pact; the elevation of "methods of co-operation, joint enquiry and conciliation" above the use of force between nation and nation, as the surest guarantee for the improvement of international relations and respect for mutual engagements; respect for the aims and ideals of the League of Nations, and for disarmament, subject to the need to adopt the measures of defence that are essential for national security and the fulfilment of international obligations; belief in the need for more stable economic and financial conditions as a condition of prosperity and peace; deliberate repudiation of the view that differences of political creed are an obstacle to friendly relations between governments and countries. Secondly, the Conference agreed on certain methods of achieving these objectives: the membership of the League ought to be enlarged; the Covenant ought to be separated from the treaties of peace; regional agreements are to be welcomed in so far as they "can be made to contribute to the cause of peace, and do not conflict with the Covenant"; in particular, a regional understanding and pact of non-aggression concluded by the countries of the Pacific "would be a desirable contribution to the cause of peace"; the countries of the Commonwealth should co-operate with other nations in examining obstacles to the increase of world trade and the improvement of the general standard of living.

On one point only did the Conference note differences of opinion—and that was a point as much of principle as of method. It was agreed, so runs a footnote, that nothing in the declaration on foreign affairs should be held to diminish the right of the several Governments to advocate and support their respective statements of policy on the future of the League as submitted at the Geneva Assembly of September 1936. If this over-riding clause were to be taken at its face value, much of the agreed declaration would become mere words, since those Geneva statements differed seriously. But there was surely a certain face-saving

quality about the clause. For the items of unanimous agreement—principles and methods—point in a definite direction of policy towards the League of Nations: they point away from universal collective security, and towards the concept of a League serving as a diplomatic meeting ground, a concert of world Powers, a repository of law and principle in international affairs, whereby the particular content of foreign policies, especially regional agreements, may be judged and tested. Conciliation is preferred to coercion. Regional agreements are praised. The membership of the League, it is urged, should be enlarged—and the mention of separating the Covenant from the peace treaties in this connection shows that the Conference had specially in mind a non-League Power which in recent years has spurned the idea of general collective security. It may also perhaps have been thinking of the United States, whose Assistant Secretary of State declared a few weeks ago that

> the Covenant of the League, through its incorporation in the tragic Treaty of Versailles, became to all intents and purposes in the formative period of the League a method whereby the iniquitous and the intolerable moral and material burdens imposed upon the vanquished by the victors might be continued for an indeterminate number of years.

It may well be wondered why, when these points so clearly emerge from the report of the Imperial Conference, they could not have been more openly expressed—why, instead, they had to be nominally over-ridden by a saving clause which either must itself be meaningless or must render futile most of what followed. The answer may perhaps be found in a re-examination of the statements of policy made at last year's Geneva Assembly. Although the particular character of the Abyssinian affair caused South Africa to lean towards a stricter view of sanctions than most of her fellow members, it was really only New Zealand who stood athwart the main trend of Commonwealth thinking about the future of the League. She

alone sought to intensify its coercive and punitive functions. It seems a fair guess, therefore, that the saving footnote was inserted at the instance of the New Zealand Government, and was couched in general terms in order to preserve the façade of uniformity and to avoid admitting that of six independent Governments one was out of step on this issue. The result is that a great deal of the effect of the report is destroyed.

III. Defence

THE difficulties to which the undiscriminating pursuit of uniformity may lead emerge even more plainly in the section on defence. In the highly-armed and dangerous world of to-day, limits are set to foreign policy by defensive power, whether that power resides in munitions and men, or in geographical situation, or in alliances and understandings with other countries. The geographical situations of the several members of the Commonwealth vary widely. So do their armament policies, according to their different strategic necessities, their different degrees of wealth, their different internal political and racial characteristics. Their varying national characteristics, moreover, affect also the third factor in defensive power, their willingness and ability to co-operate in defence matters with other countries—first and foremost with their fellow members of the Commonwealth. Such co-operation is an aspect of their external relations, and so the circle of interaction between foreign policy and defence in the Commonwealth is completed.

Defence policy, in fact, may be regarded as an aspect of foreign policy, the aspect that brings home most closely its grim realities. For that reason, it is one of the aspects in which co-operation is most necessary and at the same time is approached with the greatest reluctance. There is not a country that will put in pawn its right to decide for itself the terrible issues raised by modern war. Hence co-operation in defence, in the Commonwealth as well as

beyond it, must be founded, even more clearly than co-operation in other spheres, upon common interest. The nations of the Commonwealth have the tremendous common interest of the integrity of the Commonwealth itself, with all that it stands for in civilisation and freedom. But it would be foolish to pretend that this interest alone appeals sufficiently to political and public opinion in the Dominions to serve as a basis for close co-operation in defence. More particular common interests—strategic and material interests—are needed to reinforce that foundation. Just as the extent and nature of those particular common interests vary, so there will be variations in the extent and nature of practicable and sound co-operation in defence.

It is therefore unlikely that formulas applicable without qualification to the whole Commonwealth can go much beyond pallid generalities. So the Imperial Conference found. According to the Summary of Proceedings, it "considered ways in which it would be possible for the Governments concerned to co-operate in measures for their own security". After statements had been made from the several national viewpoints, the Conference "recognised the vital importance of measures to safeguard maritime communications . . . and to provide naval bases and facilities for repairs and fuelling of ships". It particularly applauded the progress made towards the completion of the Singapore base. It "recorded the progress made by the several Governments in creating and maintaining an adequate chain of air bases and refuelling stations along the lines of communications between the different parts of the Empire". It endorsed the use of common systems of training and organisation, and similar types of munitions, whereby each member country would "be enabled to ensure more effectively its own security and, if it so desired, to co-operate with other countries of the Commonwealth with the least possible delay". With still greater caution the Conference approved the interchange of naval, military and air-force officers. Having given careful attention to

the economic side of strategy—the problem of the supply of munitions and military stores and of food and fodder in an emergency—it found value in the interchange of technical information on this problem, and recommended that it be continued, subject to the reservation of complete freedom of decision and action by each Government. The Conference finally found general agreement among its members *that the security of each of them could be increased* by co-operation in such matters as the free interchange of information about defence forces, the continuance of the arrangements already initiated by some of them for concerting the scale of the defences of ports, and—marvellous portmanteaux—" measures for co-operation in the defence of communications and other common interests ".

The detailed *exposés* of national defence policies that preceded these conclusions were no doubt important and interesting, especially those delivered by the United Kingdom Government and the Australian Government, which firmly repudiated its critics at home who demand a purely local plan of defence. But between those national statements of policy and the timid generalities to which every member of the Conference could publicly subscribe there was no recorded bridge, save the declaration by the Australian and New Zealand delegations that for their part they attached the greatest importance to close co-operation in defence matters between the several parts of the British Commonwealth. The bridge, nevertheless, exists in practice, in the shape of various forms of co-operation which necessarily differ as between the several Dominions, with their varying strategic needs and their varying degrees of suspicion that they may be dragged into " someone else's wars ". To strengthen that bridge of practical co-operation is the outstanding problem in Commonwealth defence. There cannot be in any strict sense a single defence policy for the whole Commonwealth, since there is no single Government to carry it out. But there can surely be, for instance, a defence policy in the Pacific and Far Eastern

zone in which all the Commonwealth Governments would participate according to their abilities; or in the Mediterranean zone, or in the connected zone of Africa, where indeed there is already a close understanding among the several Governments of Commonwealth countries regarding their respective rôles in the event of war. There can surely be a plan governing the economic side of strategy among a group of nations which all know that, however reluctant they might be to send forces to a war, they would wish in any conceivable event to help each other with supplies. There can surely be a plan for the co-operative development of those chains of naval and air bases which they all recognise to be a vital element in their national defences.

All this can be done—and to a large extent is being done, though with insufficient decision—without prejudice to the undoubted right of each Government to decide for itself whether and to what extent to take active part in any war. The Commonwealth is not an organisation for rigid and universal "collective security" among its members. Nothing proves this more plainly than the conclusions of the Imperial Conference. In Commonwealth affairs, as in the affairs of the wider world, it is only when that out-of-reach concept is laid aside that practical progress can be made towards firm and durable co-operation. The Imperial Conference, though it may not have advanced very far, set its feet on the right road.

IV. The Problem of Shipping

THERE are other aspects of Commonwealth co-operation, having a less direct connection with defence, which nevertheless bear very decidedly upon the strength and security of its members. Foremost among them is the problem of civil communications by air and sea. The Conference took note of these problems, and in regard to civil aviation it went a good way towards constructing

the fabric of a co-operative policy for the Commonwealth. It was unanimous in approving the pursuit by the member countries of "a vigorous policy in regard to their air services, embracing expansion within each of their territories and interconnection between members"; and it affirmed their willingness "to co-operate with each other to the greatest possible extent". The exact nature of their policies and their co-operation was left for the practical opportunities of the future to determine. Certain broad general principles were laid down, however, especially as regards relations with foreign air services. The Conference said nothing of a proposal that had been put forward in some quarters for the establishment of a permanent Commonwealth air council or committee; but it will be generally recognised, as no doubt it was recognised by the Conference, that the necessary machinery for the conduct of a joint policy can be created with comparative ease and rapidity once the will to find and pursue such a policy is present.

That applies equally to shipping problems, of which the Conference's treatment fell far short of the ideal, having regard both to their urgency and to their absolutely vital character for a maritime empire. The committee entrusted with their consideration "realised that the maintenance of adequate British shipping is a matter of common concern to the countries of the Commonwealth", and that "British shipping in certain areas is seriously prejudiced if not threatened with entire elimination" by the discriminatory policies of certain foreign countries. But the concrete recommendations to which this recognition led them did not in the least match the extreme gravity of the problem. In each case of "undue assistance" to foreign shipping, to the prejudice of our own, "there should be an opportunity of consultation" between the different parts of the Commonwealth concerned, "in order to determine the validity of the complaint and the best means of meeting the situation". Past experience of consultation of this vague

ad hoc kind, without any agreed long-term policy, shows the hopeless weakness of the system. The Committee took account of two particular cases: first that of "British shipping in Middle and Far Eastern waters, having regard to the increased competition of foreign flags", which, it was content to note, was being investigated by the Imperial Shipping Committee; second, that of the competition of subsidised ships in the Pacific between the United States and New Zealand and Australia. The latter question had already been examined by the Imperial Shipping Committee and was then under consideration by the four Governments of the Commonwealth concerned. It was therefore referred to a sub-committee representing those Governments, which, however, was forced to report that its discussions had not reached finality.

And so the question drags on, passed from committee to committee and back again to the Governments, while one British line formerly serving that route has already been driven off the ocean, and others are gravely threatened. The problem is no less urgent and even more dangerous in the second area to which the Imperial Conference Committee referred—Middle and Far Eastern waters. Nor is it by any means confined to those two areas. The issue may be stated in terms of one or two broad facts. In the middle of 1937 steam and motor tonnage under the British flag, at 20½ million tons, was slightly less than it had been in 1914, whereas foreign tonnage had increased from 25 million tons to nearly 45 million tons.* The proportion of the world's tonnage registered in the Empire had fallen from 45 per cent. to 31 per cent. The figure is more favourable if the smaller and older ships are excluded, but it is just in the category of new fast ships that the competition of subsidised shipping is most keenly felt. The four chief subsidising countries—the United States, France, Italy and Japan—together increased the number of their vessels of over 2,000 tons gross from 1,401

* *Lloyd's Register of Shipping.*

in June 1914 to 3,291 in June 1936, whereas the number of such ships registered in Great Britain and Ireland fell during the same interval from 3,906 to 2,873.

This is not a United Kingdom problem alone. Indeed, in the notorious trans-Pacific case the line that has had to retire is one administered and registered in New Zealand, a line in which both Canada and Australia are directly interested as mail terminals. In the Far East the problem largely affects the shipping trading with the Dominions, India and the crown colonies. Moreover, in its wider implications the problem is essentially an all-Commonwealth one, if the security of the Commonwealth means anything to its members. For nothing would be more likely to result in defeat in the event of a renewed world war, and therefore in the disintegration and destruction of the Commonwealth, than weakness in mercantile marine. Merchant ships are required, not only as auxiliaries to the armed forces, but even more vitally to transport the supplies without which the scattered countries of the Commonwealth could not prosecute a war or could not even exist.

> At the outbreak of war in 1914, the British Empire owned nearly one-half of the ocean-going merchant shipping of the world and could rely upon the tonnage of at least four principal maritime countries as allies, apart from neutral tonnage. Notwithstanding this, the country was brought close to starvation in 1917.*

The Imperial Conference definitely recognised the need for co-operation in defence—certain of its members with great emphasis—and it wisely took up, as a matter of common concern, the problem of supplies in an emergency. The logical and immediate corollary should clearly be the construction of a Commonwealth shipping policy which would arrest and reverse the dangerous trend of developments in the world's mercantile marine. As in other aspects of defence and external policy, there can be no question of

* Report of the Chamber of Shipping of the United Kingdom, February 1937.

over-ruling the right of every nation of the Commonwealth to consider for itself its national needs and to adapt its policy to suit them. A Commonwealth shipping policy must be built up, like a co-operative defence policy for the Commonwealth, upon national policies freely accepted by the Dominions and by India as well as by the United Kingdom. What is required is a clearer recognition of unity of fundamental interest. If some nations of the Commonwealth recognise that unity of interest more plainly and frankly than others, let their needs and desires not be frustrated by the doubts and hesitations of their fellows. The world to-day is too dangerous a place in which to deceive the mind and confuse public opinion by means of verbal generalities. It is a time for decision and action, and that should surely be the function of the Imperial Conference. If the result of the 1937 Conference has shown that its present character and machinery are ill adapted for that purpose, then the necessary changes should now be occupying the thought and endeavour of leaders of public opinion in the different parts of the Commonwealth. Perhaps changes are needed less in administrative forms than in attitudes of mind, but it is certain at least that the need is urgent and that the penalty of neglect will not be cheaply paid.

THE NEW WORLD SITUATION

I. Has Britain a New Foreign Policy?

FOR fifteen years the foreign policy of the British Commonwealth could have been comprised in the words "Support of the League of Nations". It is true that that policy has more than once failed—notably in Manchuria and Abyssinia—to achieve what most people regarded as its principal purpose. Nevertheless, partly because the League represented an ideal of world order and peace, partly because it helped to solve, in a transitional period, the relations between Great Britain and the new nations of the Commonwealth, and partly because it seemed to stabilise a post-war *status quo* of which the British Commonwealth was one of the principal beneficiaries, the League of Nations policy secured almost universal assent. A few diehards grumbled at being asked to substitute internationalism for nationalism as their faith; a few Left-wingers declared that the League was a mere device for consolidating the capitalist's grip on the world; a few thinkers asked whether a league of sovereign States could ever succeed in maintaining peace, and whether the "have-nots" were likely to acquiesce indefinitely in an almost unalterable *status quo*. But these voices did not disturb the chorus which was prepared to affirm that we needed no other policy than a League policy in our imperial and international affairs.

The events of the last few years, however, have given a rude shock to this comfortable view. It is clear, even from the jejune pages of the Imperial Conference report, that the principle of supporting the League of Nations no longer suffices as a definition of British foreign policy.

The continued abstention of the *United States*, the withdrawal of *Japan* and Germany, and Italy's open defiance in *Abyssinia* of all that the League stands for, have wrecked all present hope of that universal membership which the proper functioning of the League system clearly requires. The adherence of Russia is no adequate compensation on the other side. There is a growing realisation that the greatest of all the failures of the League may have been, not its inability to withstand aggression in Manchuria and Abyssinia, but its inability to make the revisions of the treaty settlement in Europe which practically everybody now admits should have been made in the days of the German Republic. That failure paved the way for the National Socialist régime and for the achievement by unilateral action, based on military strength, of some of those changes which the League had been unwilling to accord to justice. Finally, universal rearmament, and the division of the nations into "ideological" groups, and into those who are satisfied and those who are dissatisfied with the *status quo*, have once more made power and the resolution to use it, rather than the Geneva conference table, the ultimately determining factor in international politics.

Present-day British foreign policy, therefore, has perforce become much more fluid. It has lost the universality and simplicity it had in early League days. It may, perhaps, be not unfairly summarised under two heads. On the one hand, the nations of the Commonwealth are as firmly wedded as ever to the underlying thesis of the League of Nations, as the ideal of a pacific international order which they seek to bring to practical fruition. They are resolved to adapt their own policy to those constructive principles of the Covenant which require its signatories to renounce war as an instrument of national policy, and to submit their disputes to international investigation or arbitration. They view this resolve as a practical contribution to that budding rule of law for which the League stands. On the

other hand, the leaders of the Commonwealth now recognise that over a large part of the world League principles have almost ceased to apply, and that they certainly cannot rely upon the League for their own security, though in certain regions its members may be able to give one another collective support. They believe that the clear-cut obligation to provide automatic and universal "collective security" against aggression, contained in articles 10 and 16 of the Covenant, must be held in suspense until the League commands more universal membership and is equipped with more adequate machinery for the collective revision of an out-of-date international order than it possesses to-day. Perhaps the most significant aspects of the Imperial Conference report were the absence of all reference to "collective security", the emphasis on the need for enlarging the membership of the League, and the special attention given to the measures of rearmament which the several members of the Commonwealth are taking, largely recommended by their geographical position. The most positive authentic statement of British foreign policy is probably to be found in the declaration * made by Mr. Eden at Leamington in November last, with Cabinet approval, which defined the matters about which Great Britain would go to war. There is certainly no reason to suppose that the other members of the Commonwealth are prepared to go further than this in their military commitments, and most of them would be unwilling to go so far.

II. Power and Principle in World Politics

THE central reason for this new indefiniteness in British foreign policy is the reality that governs international affairs in a world of sovereign States—a reality previously obscured by war-exhaustion and the idealist formulas of the League of Nations. It is that as between

* An extract from Mr. Eden's speech is printed at the end of this article.

sovereign States policy is inseparably linked with power. Power, of course, and irresistible power at that, belongs to the State in its internal policy. Within the State, however, power and law-making are in the same hands, and the use of state power is restrained, in democratic communities, by constitutional checks and procedure, and is exercised, at any rate in theory, for the benefit of the community as a whole. But in the international field there is yet no law-making authority representing mankind as a whole, and no international constitutional control over the exercise of power. Power and the decision to use it remain in the hands of the sovereign States themselves. Although each sovereign State may bind its hands by treaties or by a more universal and ambitious contract like the Covenant of the League, it can at any time, as we have recently seen, repudiate such contracts and take its own line, unless its neighbours can deter it by the exercise of superior power, which in the last resort must take the form of war. So long as nations can agree there is no risk of war. But directly their policies, their interests or their ideals conflict, that risk appears; for the ultimate decision will depend, not upon any tribunal's view of the justice of the case, nor upon a majority decision, but upon the question which side has the superiority of power, coupled with the resolution to face the suffering and cost involved in using it. This is true whether the conflict be between individual nations, or between groups or alliances of nations, or between a combination like the League and those who dispute its authority or its will. Fidelity to moral principles may lend courage and resolution to one side, and disregard of principle may weaken the morale and determination of the other. But if it comes to conflict it will be strength, compounded of both moral and physical factors, and expressed in power-diplomacy or war, that will decide the issue.

Universal rearmament and the appearance of deep-rooted differences of interest and policy have brought the old

brutal reality governing the relations of States with one another once more into full view. It may come as a shock to those who thought that contract was a qualification of sovereignty. But the rule that in international affairs power and the resolution to use it are the governing facts will remain true until nations are willing to substitute, for the anarchy of national sovereign rights, a federal sovereignty which can legislate and can enforce a reign of law. There is no war, and there is a reign of law, in the United States—an area almost exactly the size of Europe and containing every European race—because its forty-eight states, while retaining their sovereign independence in local affairs, are also members of a federal commonwealth which is sovereign in their common affairs. When Europe can create an equivalent federal organ for the twenty-six sovereignties into which it is now divided it will enjoy both law and peace. Indeed, every member of the British Commonwealth must now ask itself how far the present policy of national self-determination within the Commonwealth can be carried, or rather what parallel movement of integration is necessary, if self-determination is not to end in disaster for the Commonwealth as it has already ended in disaster for Europe. Will a common Crown without political power, and an Imperial Conference meeting for a few weeks every few years, suffice to preserve its unity, not only now, when there are half-a-dozen independent sovereignties within it, but also in years to come when there may be two or three times as many?

III. Eastern Europe as the Key

IT is well to keep these ultimate principles in mind, because they save us from believing that anything short of the federal principle can end war, and from forgetting the rôle that force inevitably plays in a world of sovereign States. They are, however, of secondary importance in dealing with the dangerous controversies that lie in the

forefront of international politics to-day. These controversies are three: the Spanish question, the Far Eastern question, and the question of eastern Europe. The outcome of these controversies will depend not merely upon what we desire, or what we think right in the abstract, but mainly upon the strength and the resolution that can be mobilised behind the rival points of view.

The civil war in Spain has its origin in the fact that during the nineteenth century Spain lay outside the stream of modern progress. Revolution became the only road to reform, and in a Europe already torn by the communist–fascist conflict the smooth triumph of democracy proved as impossible as it did in Russia in 1917. However we may assess the responsibility for the conflict, the liberal republic has been destroyed by the violence of the parties both of the Right and of the Left, and force and morale alone will decide which of the two sides is going to establish its control over the whole of Spain, or whether Spain is to remain, at any rate for a time, divided in two. Unfortunately, this civil war, while prompting the democracies to a policy of non-intervention, deeply affected the prospects of stability both of communist and of fascist States. Each wanted a victory for its own principles and was afraid of the triumph of the rival creed. So the fateful intervention from outside began, and once begun it soon became merged with the larger Franco–German rivalry in Europe and the British–Italian struggle for influence and power in the Mediterranean. While nobody wishes to see the Spanish struggle expand into a European war, France and Russia are unwilling to see the defeat of the anti-fascist side for want of assistance, and Italy and Germany are not prepared to see Franco defeated for a similar reason. So the Non-Intervention Committee staggers from crisis to crisis—keeping together as the best security against general war but unable to secure real non-intervention because neither group trusts the other to fulfil its promises or is really prepared to see its own friends

overwhelmed. There does not seem, however, to be any question that if Great Britain and France choose to take a firm line they can prevent either Germany or Italy from obtaining any strategic or territorial foothold in Spain; for in the western Mediterranean and the Atlantic they still possess overwhelming naval and aerial strength if they are willing to use it or to make it plain to others that in certain eventualities they will use it. It will be a contribution to peace for them to make this plain.

The Far Eastern situation, which is analysed in another article in this issue, illustrates the same principle. There does not seem to be much doubt that Japan's advance in North China took place in July partly because all Europe was preoccupied in Spain and partly because the purge of Soviet generals appeared to have paralysed the efficiency of the Russian army. Russia's real power and her readiness to act remain unknown, but apparently no other country is prepared to intervene with military or economic power, and the issue therefore seems likely to turn on whether the national spirit of the Chinese will be strong enough to oppose Japan and to wear down, perhaps by a type of guerilla warfare, her superiority in organisation and equipment.

The third danger-spot—in the long run perhaps the most difficult and dangerous of all—is eastern Europe. There is the real cockpit of European politics to-day. The colonial question has fallen into a secondary place, simply because Germany, who is the country principally interested in it, cannot enforce her demands for colonies by the direct exercise of power except in a world war. The colonial question is therefore a matter for negotiation and agreement in which the big colonial and naval Powers still hold the trump cards. But in eastern Europe it is different. In that region there are, in effect, two questions. On the one hand Germany—especially the National Socialist party which to-day controls Germany—feels bitterly about the position of German minorities just

beyond her eastern boundary. Let us see how the eastern European situation looks through German eyes. Austria is forbidden by the Treaty of Trianon to unite with Germany, even if she wishes to do so. There are three million Germans in a Czechoslovakia which has long been committed to a pro-French or pro-Russian and anti-German policy. Danzig and Memel, historic German cities, are forbidden to unite with the Reich. The Polish corridor and the position of Silesia, though accepted for ten years under Hitler's German–Polish treaty, are sources of bitter grievance to German people. In a sentence, Germany claims for Germans in eastern Europe that right of self-determination which has been applied to other nationalities and was the principle upon which, in theory, the peace settlement was based.

But that is only half the problem. Perhaps the more important half relates to the secular struggle between France and Germany for power and position. Bismarck made Germany, with her allies, the most important Power in Europe. The world war left Germany defeated and disarmed. Immediately the Anglo-American treaty of guarantee against unprovoked aggression had lapsed, France committed herself to the policy of maintaining an alliance system with Poland and the Little Entente designed to give her complete military preponderance in Europe and so ensure "integral" fulfilment of the Treaty of Versailles. The National Socialist party may almost be said to have come into existence to alter this position. To a large extent, it has already succeeded in doing so. The unilateral disarmament of Germany has gone. The unilateral demilitarisation of the Rhineland has gone. Reparations and practically all the other minor discriminations have gone. Germany to-day is already far on the way to being the most formidable military and air Power on the Continent.

The answer of France has been to consolidate her defensive "Locarno" arrangements with Great Britain, and to

sign the treaty of mutual assistance with Russia. But her alliances with the smaller Powers of Europe are not so tight as they formerly were. If Poland had to choose between Russia and Germany she would almost certainly side with Germany. Rumania and Yugoslavia are now on friendly terms with the Reich. And the old collective guarantees against aggression in Europe have been weakened by the tacit withdrawal of Scandinavia, Belgium and the Netherlands from a willingness to take part in automatic sanctions against any great Power which is in a position to attack them militarily, unless they can rely upon instant and overwhelming military support from elsewhere. There is going on to-day, therefore, a silent but none the less intense struggle between France and Russia on the one side, and Germany on the other, for influence in that fragmented area which lies between Germany and Russia. Germany means to become the predominant and if possible the exclusive influence there. France and Russia are trying to keep as many as possible of those smaller States in their own orbit. To-day nobody can say, in view of such factors as the economic weakness of France, the recent purge of Russia, or the raw material shortage in Germany, where the balance of power lies.

The outcome will depend partly on the relative strength and resolution of the two groups, partly on the actual policy of National Socialist Germany. Is that policy to separate German minorities from their present States and incorporate them within her own frontiers, thus giving herself a strategic position of irresistible strength in central Europe —a policy that will be fiercely resisted by her neighbours, if only because of the imperialist adventures to which it might lead? Or is Germany willing to recognise the independence of the smaller States, in return for mutual economic concessions and mutual good treatment of minorities, provided they come into her own orbit instead of that of France and Russia, and thus to create a loose association under German influence but not German

control, somewhat like the Monroe or British imperial system—a policy which Europe might accept as a final settlement?

Of the three main international problems that of eastern and central Europe is the one which, if mishandled, is most likely to lead to a general war. And it is the one in which British policy finds it most difficult to follow a clear line. On the one hand the electorates of Great Britain and still more of the oversea Dominions view eastern Europe as the field in which their own interests are least directly engaged, in which they can exercise the least direct military force, and in which they are least willing to commit themselves beforehand. Indeed, with a navy which cannot reach eastern Europe at all, an army which has practically no European expeditionary force, and a home air force which is unlikely to reach parity in numbers with Germany, the only way in which Great Britain could exert direct force would be by turning what might be a local conflict into a world war. On the other hand neither Great Britain nor any Dominion can be indifferent to alterations in the *status quo* in eastern Europe, especially if they are brought about by power politics or war, because of the far-reaching effect they may have upon the balance of power in the world as a whole.

IV. Awakening in the United States

THERE is, however, another aspect of the international problem which in the long run, among present-day uncertainties, may have decisive influence—and that is the changing attitude of the United States. It is not now generally remembered that the keystone of the peace settlement drawn up by the Big Four in Paris was not only American membership of the League of Nations and the Reparations Commission but also the Anglo-American treaty of guarantee to France. Not only was the United States to be a member of the League, but at the heart of the

League was to stand a solid democratic defensive core, the combination that had won the war. If that project had been realised the world would certainly not be in its present dangerous disorder; for the security that it would have given to France would have made possible a fair revision of the treaties in favour of republican Germany, instead of that insistence on the indefinite maintenance of the Versailles system which has produced Hitlerist Germany.

Events turned out otherwise. World exhaustion after 1918, coupled with the illusory stability given to Europe by the French alliance system, enabled the United States to retire to a complacent isolationism for fifteen years, just as it enabled Great Britain to disarm and spend her resources on social reform over the same period. Now there has come a reaction. Universal rearmament, the Manchurian and Abyssinian episodes, and the emergence of totalitarian dictatorships claiming world power, have brought about a profound change in the American outlook, just as in that of the British Commonwealth. The new situation led, first, to vigorous American rearmament both by sea and in the air. It led, in the second place, to the Neutrality Act, whereby the United States sought to prevent the growth of those financial and economic entanglements with Great Britain and France which a somewhat half-baked interpretation of the history of the period from 1914 to 1917 had persuaded many Americans to regard as the chief reason for the entry of the United States into the world war. It has led, more recently, to a definite alignment of the sympathies of American public opinion with the democracies in opposition to the military expansionism of the fascist Powers. Against this attitude there is a minority movement of criticism—partially hamstrung by America's own responsibility for making the peace settlement and wrecking the League—to the effect that it has been the weakness of British and French policy that has undermined the League and the Nine Power Pacific treaty, and that some restitution of colonies ought to have been made to Germany long ago.

But a remarkable article by Mr. Walter Lippmann in the well-known American quarterly *Foreign Affairs* shows that under the surface of a public opinion still apparently wedded to isolationism—especially from Europe—a new movement of fundamental thinking is stirring. It points out that the Neutrality Act means, in practice and contrary to the intention of its original promoters, that "if Britain is again at war with Germany, only Britain and her allies will be able to supply themselves in the American market". This is so because they alone, so long as the British navy is supreme in the Atlantic, will be able to fulfil the conditions of the "cash and carry" plan. But Mr. Lippmann goes on to more bedrock considerations. He thinks that even the kind of neutral isolationism prescribed in the Neutrality Act is possible for the United States only if a war is being fought "for a limited objective in a localised area" and not for supremacy of power over the larger part of the earth's surface. His conclusion is best set forth in his own words.

> The invisible, the unexamined and unrecognised premise of American isolation has always been an international system in which naval power in British hands is predominant over all other military power. . . . Such an international system existed in the century between Waterloo and the Marne, and all our preconceptions about world politics implicitly assume the continuation of some such system.
>
> Thus when Americans speak of isolation and of being indifferent to the outcome of European wars they have already taken it for granted that there exists a power great enough to localise wars of aggression. In this situation the concept of neutrality can be made to work. But the concept itself rests on a deeper premise, on the tacit and unrealised assumption that the world as a whole will remain orderly under the final authority of sea power controlled by men who on the whole believe in the supremacy of law and in government by consent of the governed. Once that assumption is upset, once this pivotal organisation of human power is seriously disrupted, the basis of neutrality and of isolation is destroyed. A fatal blow struck at the heart of the British power would not merely destroy the international unity of the Empire; it would mean the destruction of all international order as we have known it.

We have only to imagine our own position if the British

supremacy were to collapse under an attack by Germany in the North Atlantic, by Italy in the Mediterranean, by Japan in the Western Pacific. Could we conceivably be indifferent to such a world-shaking catastrophe as that? With whom would we then discuss amiably the idea of naval parity? Would it be possible for us not to care about how the innumerable fragments of that great political organisation were disposed of? We could not be indifferent. All that is familiar and taken for granted, like the air we breathe, would suddenly be drastically altered. A thousand relations to all parts of the world, so well established that we forget they exist, would suddenly be broken. The disruption of Austria-Hungary has changed the face of European politics. The disruption of the British Empire would have consequences so incomparably much greater that we cannot really imagine them. One might as well have asked a citizen of Rome in the time of Augustus to imagine Europe when the Roman power had disintegrated.

Thus, though it is no doubt written in the book of fate that Britain will no longer carry on alone the authority she exercised in the nineteenth century, it is also written in that book that our civilisation is doomed to another dark age unless that authority can be perpetuated by peoples who intend to live by the same political tradition. There is no alternative—except a century or more of wars fought savagely and indecisively by peoples contending for world supremacy. Whether the power that Britain exercised in the nineteenth century is to be perpetuated through Geneva is a relatively minor question. The great question is whether a nation placed as we are, and desiring above all else to live and let live, can preserve its isolation if there is no power in the world which preserves the order of the world.

The answer to that question is, I am convinced, that we can and that we will stand aside only as long as we feel that there is no fatal challenge to the central power which makes for order in our world. Our unconscious wisdom is the deposit of a century of experience. In that century of American isolation an organic and inseparable connection was formed between the life of the American nation and an international order held together through supreme authority exercised by men who in great matters think as we do. We cannot break that connection. We could not break it in 1917. We have declared that we cannot break it in 1937. We shall not break it. In the final test, no matter what we wish now or now believe, though collaboration with Britain and her allies is difficult and often irritating, we shall protect that connection because in no other way can we fulfill our destiny.*

* *Foreign Affairs*, July 1937, pp. 593 and 594.

How far this view represents any widely spread body of American opinion it is impossible to say. It is nevertheless deeply significant, because it shows that some Americans are seeing world facts as they really are. There can be no peace in the world without government. We are a long way from any world government based on the federal principle whereby the Philadelphia convention in 1787 ended the disorder caused by the sovereignty of the disunited states. But after turning back to isolationism Americans are beginning to realise that even the Neutrality Act will not keep them out of war, if the war is to be concerned with the fundamentals of world civilisation. If we in the British Commonwealth had strayed too far in the belief that a universal peace system could be constructed without some pooling of sovereignty, Americans are beginning to realise that, in a world contracted by science in terms of time and space, action rather than neutrality may be the only way of avoiding war.

That fact may have far-reaching effects in the future. The reconciliation of national freedom with international security and stability seems likely, in the next phase of the world's advance, to follow the precedent of the Monroe system and of the British Commonwealth—the association of a number of smaller nations with a powerful State which can protect them and preserve order in the group —rather than that of the universal association of equals in the League. If Spain retains her independence at the end of the civil war, if the Far East can settle down again, after the latest trial of strength, without igniting a world conflagration, if a solution of Germany's relations with eastern and central Europe can be found on some such lines as have been described, it may be that international tension will relax and rearmament will end. In that event, a pacific international order based on agreement between the leading world Powers, and on a movement towards freer economic intercourse, may perhaps be established, at least until some new bone of international contention

appears. But it is also possible that these tensions instead of relaxing may become more violent, and that the balance between fascist, communist and democratic States in Europe and Asia may become so even that there will be danger of another world conflict between liberty and autocracy even more savage than that of 1914. If so, then the policy of the United States may be decisive in preventing such a war, just as it was decisive in 1917 in winning the war for democracy.

For, if the world does not settle down, the practical issue may well be whether a local conflict in Europe or Asia must again inevitably drag all nations, one after another, into a world war. The only method of preventing that disaster would be to re-create a concentration of power, such as Great Britain herself possessed in the nineteenth century after Waterloo, not only invincible to direct attack but also strong enough not to feel its own security or the world order menaced by political changes in Europe or the Far East. Such a concentration could localise conflicts and use its political and economic influence to end them quickly on terms that did not disturb the world balance. Neither Great Britain nor even the whole British Commonwealth is to-day strong enough, compared with the rest of the world, to restore the nineteenth-century system. The intention of the framers of the Paris settlement in 1919 was to establish at the heart of the League a combination of liberal and democratic Powers which could do this very thing in a more impartial and more effective way through the machinery of the League, and so maintain the kind of liberal international order which Mr. Lippmann says that American public opinion has more or less taken for granted. That hope was shattered by the withdrawal of the United States. But, as Mr. Lippmann suggested in an earlier Armistice day address, the nations of the British Commonwealth and the United States are together strong enough, by reason of their resources and their control of strategic positions, to re-create that kind of international order. As

its study of international problems develops, public opinion in the United States may come to see that its own avoidance of war may depend, not upon pacifism or the Neutrality Act, but upon a sufficiently active co-operation with other democracies to restore, possibly through a modified League system, a combination strong enough both to defy attack and to prevent local wars from repeating the tragedy of the world war.

Appendix

Extract from Mr. Eden's speech at Leamington on November 20, 1936

Our objective is international co-operation throughout the world—co-operation in which all the States shall participate. It would be wrong and foolish to pretend that nations can only co-operate in international affairs if their systems of government are similar. That is not true, nor is it desirable. . . .

There can be no doubt that attempts to uphold international law have not benefited from the comparative decline of British strength in arms which has existed in recent years. The equilibrium is now being restored—nobody but a would-be aggressor will complain But, it may be asked, for what purpose will these arms be used? Let me once again make the position in this respect perfectly clear. These arms will never be used in a war of aggression. They will never be used for a purpose inconsistent with the Covenant of the League or the Pact of Paris. They may, and if the occasion arose they would, be used in our own defence and in defence of the territories of the British Commonwealth of Nations. They may, and if the occasion arose they would, be used in the defence of France and Belgium against unprovoked aggression in accordance with our existing obligations. They may, and, if a new Western European settlement can be reached, they would, be used in defence of Germany were she the victim of unprovoked aggression by any of the other signatories of such a settlement.

Those, together with our treaty of alliance with Iraq and our projected treaty with Egypt, are our definite obligations. In addition our armaments may be used in bringing help to a victim of aggression in any case where, in our judgment, it would be proper under the provisions of the Covenant to do so. I use the word "may" deliberately, since in such an instance there is no automatic obligation to take military action. It is, moreover, right that this should be so, for nations cannot be expected to incur automatic military obligations save for areas where their vital interests are concerned.

SMOKE AND FIRE IN THE FAR EAST

I. The Spark

IN the middle of July the anxieties of the peace-loving Powers, centred during the past few months on Spain, were enlarged by the crisis in the Far East. Trouble in North China was not wholly unexpected. The Japanese, interpreting more ingeniously than plausibly the Boxer protocol of 1901, have been keeping in North China a force of 7,000 men, and have been engaged in operations designed to create for Japan in that region a " special position "—a term they have carefully refrained from defining. Friction, inevitable between an armed alien force and a population that resents their presence, had in recent weeks become acute, and an explosion, whether accidental or deliberately planned, could hardly cause much surprise. But when on *July 7 skirmishing began between Chinese and Japanese* troops, the disposition at first was to regard it as a storm which, after a little tumult, would clear the air and be followed by a period of greater calm. Wolf! had been too often cried in the Far East for there to be anything but scepticism about a Sino-Japanese war. Besides, as Mr. Eden stated in Parliament, the feeling between China and Japan, except on the issue in the North, had in recent months much improved; and there seemed to be a growing doubt in Japan whether, in dealing with China, blandishment was not a cleverer line than bludgeoning.

These hopes of better relations have been utterly dashed, and the crisis has changed rapidly from a local to an international one. Events have been rapid and confused, and those that happened publicly can be understood

only by reference to those that happened behind the scenes. Nevertheless, by a study of the situation in the two countries as it was just before the crisis occurred, it is possible to form a picture, at least fairly plausible, of the main factors that served to magnify the consequences of a clash in itself relatively unimportant.

II. Fuel, Damp and Dry

THE outstanding event in the Far East in recent months had been the return of self-confidence in China and the lifting of the gloom which had for so long overhung Chinese politics. Those who regard economic factors as decisive can point out that the revival dated from the currency reform of 1935 and the resulting improvement of the economic situation. It might nevertheless be questioned whether this improvement was well grounded or was likely to be permanent. It had been a recovery of the urban, rather than of the national, economy; famines on a great scale had continued to occur in some of the provinces; and the revolution of agricultural technique, and of agrarian organisation, which alone can permanently raise China's agricultural output and thus guarantee the equilibrium of her balance of payments and the long-run prosperity of her trade and industry, remained little more than a paper project. Moreover, as the Shanghai correspondent of *The Times* pointed out in a survey last May, many features of the new currency administration were disturbing.

In spite of these signs of instability, the commercial classes in Shanghai, being by nature of an optimistic turn, were bent on making the most of their existing prosperity. The merchants and bankers faced without apprehension the two great settlement days, the New Year and the Dragon Boat Festival; and their dependents had ceased to fear for their jobs. An inflation, so long as it is moderate and does not become fevered, is apt to bring with it an

expansion of the mind. Reassured about their own business position, the Shanghai commercial classes were taking a rosy view of the position of the nation. Because they were no longer pressed by their creditors, they had ceased in some measure to be conscious of the pressure of Japan.

Their optimism was reinforced, and to some extent justified, by the increasing success of the Nanking Government. Eighteen months ago an analysis would have shown Nanking faced in many parts of the country by two competitors for its power, the war-lords and the communists. By July of this year, the war-lords seemed to have made their last throw, and the communists, from being hunted enemies, to have become valued, if not trusted, allies. After the failure, during 1936, of two formidable rebellions, Chiang Kai-shek delivered a counter-attack against the war-lords—in Szechuan, Hunan, Kwangsi and the north-west—and brought the prestige of Nanking to the highest point it had yet reached. The armies of the local generals were reduced in size; their administration was brought under closer supervision; and, most important of all, their finances were put in charge of a nominee of Nanking.

The communists, the other competitor, had not been conquered. But it had been known that for some time Moscow looked with disapproval upon a continuance of the civil war, which weakened Nanking *vis-à-vis* Japan, and which hindered co-operation between Nanking and the U.S.S.R. Discussion of a truce seems to have begun as early as August 1935. The details of the negotiations that followed; the part the communists played during the captivity of Chiang Kai-shek at Sian; * and the terms of any pact that was concluded, are not, and are not likely to be, known to Western observers. Japanese newspapers reported that one of the leading communist generals had been for some days the guest of Chiang Kai-shek at his country home; with him was a son of Chiang, who had

* See THE ROUND TABLE, No. 106, March 1937, pp. 295–307.

formerly resided at Moscow, who used to enliven the communist press with revelations of the Chiang family life, and who now, according to the Japanese, was collecting his father's ideas upon the reorganisation of the Chinese red armies. The two communist leaders, Chu Teh and Mao Tse-tung, had also, according to the same reports, been invited to lecture on tactics to the Kuomintang officers whom they had for so long harried.

The truce, freeing the Nanking Government from its commitments upon one front—against the communists—turned the full gaze of public attention upon the other front—the one against Japan. The pressure upon Nanking to resist, and even to take the offensive, had in recent months become formidable. It came especially from the students and intelligentsia, to whose opinion every Chinese Government, however it may treat individual students, is singularly sensitive; from the junior officers; from a section—not the majority—of Shanghai business men, who in the heady atmosphere of recovery did not reflect too closely upon the possible consequences of jingo sentiments; and from the communists, whose avowed aim, in making the truce, was to contrive war between Japan and a united China. It was reinforced by the belief, widely held this summer at Shanghai and Nanking, that Japan was passing through such a grave political and economic crisis that she would go to great lengths to avoid war; and by the undoubted successes with which China had met whenever, in recent months, she had chosen to withstand Japanese aggression. Japan had won no spectacular success over China for two years. Last autumn she began negotiations to force Nanking to a "final settlement"; the Government, while acceding to minor demands, refused to yield on essentials; and Japan did not stir. In December, she organised an invasion, by irregular troops from Manchukuo, of the North China province of Suiyuan; this was repulsed, and again Japan accepted the rebuff. In March the Japanese Foreign Minister, under the influence

of the business men who, for commercial reasons, wanted a rapprochement with China, made a number of statements that surprised the Chinese by their mildness rather than won them by their friendliness. The impression grew up that Japan was on the retreat, and there was a clamour for China to follow up.

Nanking certainly did not yield to its chauvinists. It had recently shown, however, a greater resolution in protecting its rights. Measures had been taken to combat the Japanese penetration of North China. Central government officials had begun to appear more frequently in that region, and the general manager of the Peiping-Mukden railway, suspected of conniving at Japanese smuggling, was impeached. Relations between Nanking and Sung Cheh-yuan, the general appointed two years ago, with Japanese consent, to command in North China, became more intimate; and Sung, who showed himself to be in fact as tenacious as he appeared accommodating, countered the diplomatic offensives of the Japanese by vanishing at the first sign of them to seclusion in the countryside. The Nanking Government ceased to be tactfully blind to the irregularity of the existence of the East Hopei Autonomous District, an area of five million inhabitants near Peiping which in 1936 was seized by a pro-Japanese politician, and was administered by him, under Japanese protection, as a kind of preserve for the Japanese drug traffic and as a strategic jumping-off place for smuggling and for Japanese political penetration. Nor were reminders lacking that Nanking had never recognised the independence of Manchuria.

Proposals for Sino-Japanese economic co-operation—of special interest to the Japanese army, which, in order to justify its adventures to an increasingly critical public opinion at home, needed to show that they were commercially advantageous—were politely examined; but of all the projects advanced only the air-line, the least likely to be profitable, had been taken up. The refusal of Nanking

to waive, for Japanese benefit, the law that forbids the leasing of land to foreigners, and its veto of an agreement between a Chinese and a Japanese corporation whereby Japan acquired a coal mine, showed that the other projects—for railway building, cotton plantation, and the development of the iron industry—had little chance of fulfilment. Worse, the army's political activities had provoked China to measures very unwelcome to the Japanese commercial interests, such as the regulation of the export to Japan of the Chinese cotton crop, greatly needed by Japanese mills. In fact, if the Japanese army took a realist view, it must have recognised that, after the expenditure of large sums of money and of three years of effort, its footing in North China had become less, not more, secure. And, if it lost its game in North China, the army's position both in Japan and in Manchukuo would come up for reconsideration.

III. Japanese Tinder Box

CHANGES had in the same period been occurring in Japan. Their nature, and the situation in Japan, were somewhat obscure, Japanese affairs being on the whole less adequately reported in the Western press than Chinese; but it was supposed, until the recent crisis began, that renewed aggression by Japan on a large scale had become less likely than hitherto.

It appeared that there had been taking place a kind of reintegration of some of the conflicting forces and groups making up Japanese political life. In all communities except totalitarian States (and even there in a disguised form) political power is dispersed and shared between cliques and parties; but this tendency, if carried beyond a certain point, ends in a confusion in which the identity of the national government is split. As, in pathological cases of human psychology, the personality sometimes disintegrates and divides into two or three distinct characters, so in recent years Japan has had its different personalities.

The Tokyo Cabinet and rival wings of the army have each claimed, at different times and sometimes simultaneously, to be and to speak for the nation; and, as the policies for which they stood often conflicted, the direction likely to be taken by Japan was incalculable and negotiation with her was dangerous and baffling.

The first step to reintegration was the restoration, in the course of 1936, of discipline in the army. The army is split between officers coming from the hereditary aristocracy and those coming from the small landowners and middle class. The aristocrats are, on the whole, on good terms with the great capitalists, in whose hands is concentrated the control, to a degree unusual even in late capitalist societies, of the economic life of the country. The middle-class officers, on the other hand, are their fierce opponents, and demand a system which, though usually called fascist, would more resemble the system of the U.S.S.R. than that of Germany and Italy. Through their family connections with industry and finance, the aristocrats can maintain a standard of living that makes them well disposed to the established order; and they have a preponderance in, but not a monopoly of, the high command. For the middle-class officers, promotion is slow and difficult, and salaries, even at the top of their profession, do not rise above the income-level of a superior bank clerk in England. Both wings agree in their aim of foreign conquest; but they fiercely disagree upon the way in which, and for whose benefit, the conquered territories should be exploited.

Before 1930, both in the state and in the army itself, the middle-class officers were very much the junior partner; between 1930 and 1933, having thrown up two gifted leaders, Mazaki and the celebrated General Araki, they were in virtual control of the Army Council; since 1933 their star had been waning. The mutiny at Tokyo in 1936, when a number of Cabinet Ministers were assassinated and for two or three days strategic centres were held by the rebels—one of a succession of similar plots, the others

having been detected before reaching an advanced stage—was their last throw. With its failure, and with the purge of disaffected officers that followed, they have been, at least for the time being, brought to order.

The struggle between the military aristocracy, now masters of the army, and the civilians—that is to say, the representatives of the bureaucracy and the great capitalist interests who are the only civilians with much influence upon Japanese politics—seemed to have been terminated or suspended, not by the outright victory of one side or the other, but by compromise. The issue between them was not internal but foreign policy. There were differences of opinion between the civilians themselves; the industries and banks concerned with the armament industry were, for example, more friendly disposed toward the army than were the exporters and the textile manufacturers. But all the civilian interests appeared to be more attracted by the idea of a commercial empire, based on the cheapness of Japanese goods, than by that of a territorial one based upon Japanese arms. They made little serious resistance to the army's conquests as long as these did not seem likely to involve war with the great Powers. The prospect of solving in Manchuria Japan's raw material problem was also not altogether unattractive. The enormous strengthening of the Russian army in the Far East, which was clearly provoked by Japanese action, and which Japan feared might pass from a defensive to an offensive measure; the rearmament of Great Britain; the realisation, with the reaction to the German–Japanese agreement, of the extent to which Japan had isolated herself; the increasing power and prosperity of China, and the handicap, as long as the tension lasted, to Japan's reaping the commercial benefits of China's increasing commercial demand; the failure, on the other hand, of Manchukuo as a commercial venture; and the danger to the country's finances and economy caused by the armament programme and the strained relations with the great

Powers: these considerations caused them to pass from passive disapproval to active obstruction. Japan is governed by a Cabinet which, according to the constitution, is responsible to the Diet, but which is not necessarily composed of members of the dominant parties; and all Cabinets since 1932 have in fact been non-party ones. In the last six months, alarmed into action, the parties had, through the Diet and by other means, wrecked two Cabinets. Though not powerful enough to take over the government themselves, they reaffirmed that the Cabinet could not, beyond a certain degree, govern *against* them; and the government, while willing to force new elections, shrank from violating the constitution and suspending the Diet's existence.

To reconcile Cabinet and Diet, military and civilians, was the mission of the new Prime Minister, Prince Konoe. The selection of Konoe seemed to be an attempt to find, among the young and active generation, a counterpart to the famous Prince Saionji. Like Saionji, Konoe is an aristocrat enjoying the prestige and power of attraction which aristocracy still gives in Japan. He has powerful connections, and could thus bring pressure to bear upon the generals, who are disposed to pay little attention to the parvenu civilian. Like Saionji he has travelled, and like him again he has the reputation of having, in his youth, been disciplined for "dangerous thoughts". He had the advantage and the handicap of never having held Cabinet office: advantage, because he had no political past to entangle him; handicap, because he lacked experience. He was in fact an untried man, and his appointment was a gamble. The experiment indicated to what shifts Japan had been put by her recent crises.

Prince Konoe's policy, as followed from his position, was bound to look two ways. To reassure the civilians, he must bring Japan out of her isolation, and he continued the policy of the former Foreign Secretary, Mr. Sato, of seeking to restore the traditional amity with Great Britain. The price

of an agreement with Great Britain, it was understood, was the cessation of armed violence against China. Simultaneously, to please the army, he was ready to discuss the economic policy it put forward. Designed for defence purposes, this aimed at greatly increasing, in some respects trebling, the industrial output of the country, especially of the aviation, shipbuilding and machine tool industries. The Planning Board of the Cabinet was instructed to draw up detailed projects; and special schools were established to train the personnel needed to man the new factories. (Japan has a shortage of skilled male factory labour, the majority of the workers in light industry, until now the most developed branch of her industrial activity, being women and children.) The Japanese Empire, being deficient to a remarkable degree in raw materials, depends for the smooth functioning of its economic life upon an export trade sufficient to enable it to import, in exchange, minerals, rubber, oils and raw cotton. The rising price of raw materials, combined with the check to Japan's export expansion, threatened to cause a crisis. To expand, at this stage, the industry manufacturing for home consumption, thus at once increasing the demand for raw materials and diverting the available supply of material and capital from the export industry, was certainly mistimed; and the attempt could only be made if there were to be a drastic extension of state control over the national economy. To this the business interests would certainly put up a very stubborn resistance.

IV. Risks and Responsibilities

THE circumstances of both the Nanking and Tokyo Governments thus suggested that neither desired war; their early actions immediately after the July incident suggested that they were making considerable efforts to avoid it.

China's interest in her relations with Japan, and the line

she had consistently followed, was to gain time. It was fully understood at Nanking that while China might hope to impose a severe strain on Japan, especially an economic strain, she could hardly expect military victory. China has no navy, and at the outset of a war the ports, on whose banks and whose customs revenues the national finances are based, would fall to the enemy or would be blockaded. Chiang Kai-shek was believed to be in indifferent health. The internal situation, in spite of the real improvement, did not permit war to be faced with confidence. It was believed, on the other hand, that if China could avoid war for five years her powers of resistance in the interior, the striking force of her air squadrons, and her relations with other Powers might so far have improved as to deter Japan from any further adventures that might provoke Chinese resistance.

Japan's interests also pointed towards peace. However quickly ended, war would be a financial strain which Japan could hardly afford. It would ruin her China trade. It would permit the countries with which she competes to steal a march on her. Even if completely victorious, she could hardly gain economic advantages which were not equally, and more securely, attainable by peaceful means; and, exhausted at the end of the war, she would probably be obliged by the other Powers, as twice before in her history, to forgo the best fruits of victory. War would play into the hands of the radical party in the army and might thus end the capitalist system in Japan. Mechanisation of the army had only recently begun, and the equipment of many units was, by modern standards, out of date. War in China would probably mean revolt in Manchuria, and possibly—what Japan fears more than anything else in the world—intervention by the U.S.S.R. Against a Sino-Russian combination success would be exceedingly doubtful; and failure would mean social revolution. The moderation at first shown by Prince Konoe, and the apparent reluctance of Tokyo to mobilise,

suggested that these considerations, at least during the first days of the crisis, were very much in mind.

It is of course possible that a minority, reckless of consequences, may have been working for war. Alarmed by the growing strength of China, some of the generals may have been in favour of striking at once, either fatally to discredit the Nanking Government by forcing it into humiliating surrender, or to destroy it by a "preventive war". Or the radical officers, whose palmy days were those following the Mukden *coup* in 1931, may have been trying to restore their fortunes by staging a similar incident. Or, with their exaggerated but genuine fear of communism, they may have regarded the pact between Chiang Kai-shek and the Chinese red army as a threat which could be met only by military action.

The most plausible explanation seems to be as follows. The incident from which the crisis arose was an accident. The Japanese garrison in North China decided to utilise it to gain control of the North China railways, which are of strategic importance to Japan in case she was engaged in war with Russia; to redeem their waning prestige; to push a little farther their penetration of the North; to loosen a little the attachment between Sung Cheh-yuan and Nanking; to obtain redress for a number of grievances currently worrying them. The rapid collapse of Sung Cheh-yuan's Northern army emboldened them, and convinced them that, by acting resolutely, they could now achieve, at one stroke, the goal which they had expected to reach only slowly and by degrees—the setting up of a pro-Japanese Government over all North China, and the acquisition for Japanese industry of the coal, iron, salt, cotton and wool of this region.* In view of the crisis in

* It has even been suggested that the main cause of the crisis was the iron and steel famine in Japan; and that the Japanese army, unwilling to see any delay in its armaments programme, decided to seize the iron mines and deposits of Hopei. It seems more likely, however, that *after* the incident of July 7 the military saw in it a good opportunity to obtain control of the iron fields, than that they engineered the incident *in order to* seize those resources.

Russia, and the preoccupation of Europe with Spain, they thought the international situation at least as favourable for such a coup as it was likely to be at any time in the future. The civilians, in part intimidated, in part carried away by excitement, fell in with their plans. They counted on Chiang Kai-shek's acquiescing, before a threat of war, to a *fait accompli*, and on his being able to do so without fatally endangering his own position. Or if, for reasons of domestic policy, he was compelled to resist, they expected that the scale of operations would be limited by a kind of " gentleman's agreement ", and that an early and satisfactory peace would be arranged. Actual events may show that, at one point or the other, the Japanese calculation was wrong. The situation was indeed in some respects similar to that of Europe in 1914, when the governments played a game of bluff with one another, and a situation developed from which retreat became impossible.

V. The Future

THE Nanking armies include, besides great numbers of troops of inferior value, 200,000 men equipped and trained on a Western pattern, and an air force believed to consist of over 700 planes. But, apart from the scarcity of trained pilots, Chinese efficiency in air warfare is limited by the lack of factories to supply replacements. There can be no doubt that Chinese material and equipment is on the whole much inferior to the Japanese. But this advantage to Japan would be discounted if the war became a guerilla one. For guerilla warfare the Chinese soldier, as the Chinese communists have shown, is admirably suited, as is also much of the Chinese terrain; Japan would find her lengthening communications hard to defend; the longer the war lasted, the greater the possibility of financial collapse or social disturbance in Japan, of intervention by the U.S.S.R., or of mediation by other Powers. Japan's best weapons, on the other hand, are probably a

blockade of the coastal ports, and "silver bullets"—the buying over of local governments and generals. A blockade, it is true, cannot be entirely effective. Chiang, in the past two years, has hastened the construction of roads linking his probable headquarters with the frontiers of Indo-China and the U.S.S.R.; and the latter has every reason for supplying material and for making good, as far as possible, the loss of China's customs revenues. The distances to be covered are, however, very great, and the roads imperfect and scarcely suited to heavy traffic.

This article is being written early in August, when it is still a matter of doubt whether general war between China and Japan will result. Already, however, the situation is such as to provoke discussion of British policy if that should happen. Failing the intervention of other Powers, it is clear that neither Great Britain nor the United States is likely to be involved. If Russia became engaged, an entirely new set of considerations would of course arise, testing the strength of the Japanese–German anti-communist pact. Great Britain has a large investment in China, and in particular has been basing high hopes upon her economic recovery and the demand expected for capital goods. War in any part of the world is a potential danger to the Empire. Mr. Eden has stated several times that he has been in consultation with Washington, that he has suspended the Anglo-Japanese conversations while the crisis lasts, and that he has offered his services to both sides in helping to preserve peace. There is perhaps little else that can be done—except to watch vigilantly for every chance of mediation; the U.S.S.R., not Great Britain, holds the trump cards that could persuade Japan to moderate her policy.

In the event of war, we should be obliged to make a number of decisions—for example, upon our attitude to a Japanese blockade, and upon the sale of armaments. It would surely be anomalous if, after the line taken in Spain, we should sell arms to Japan, about whose responsibility

for the Far Eastern outbreak there can be no two questions. An embargo on supply to both sides, on the American model, might, in the circumstances, be the most satisfactory solution. It would be of substantial as well as formal importance, since Japan depends for war material largely upon imports, and in the present armaments race these would not be easy to obtain. It might also prevent many difficulties if Great Britain and France were to make it perfectly clear that a Japanese occupation of Hainan Island, a strategic point from which it would be possible to interrupt the communications between Hong-kong and Singapore, could in no circumstances be permitted.

THE PALESTINE REPORT AND AFTER

THE publication of the report of the Palestine Royal Commission * has had at least one effect which has not only been immediate, but is also manifestly—and happily—irreversible. The report has closed one chapter and opened another in the history of the Palestine problem. This effect follows from the very nature of the Commission's recommendations.

I. The Commission's Proposals

THE gist of the Commissioners' unanimous proposals is that the present mandate for Palestine should be terminated; that a new mandate should be conferred on the United Kingdom for the administration of a minimum territory (an enclave round Jerusalem and Bethlehem with a corridor to the coast, and another tiny enclave round Nazareth); that the policy of the Balfour Declaration should not apply to this zone under the new mandate; and that the whole of the rest of the territory that is now being administered under the existing mandate—including Trans-jordan—should be apportioned between two sovereign national States of unequal area: a relatively small Jewish State in the west and the north, and a relatively large Arab State in the east and the south. This is the plan put forward by the Commission under the title of "the Possibility of a Lasting Settlement". The Commission have also, it is true, submitted quite different recommendations to meet the case of a continuation of the present mandate in its

* Cmd. 5479.

present terms and throughout its present area, but in submitting them they have declared that, in their opinion, these are not the recommendations that the Commission's terms of reference require. They are only "palliatives" which "cannot cure the trouble". For practical purposes, therefore, the Commission's proposals may be treated as consisting in the plan for that "surgical operation" in which, in their firm conviction, lies "the only hope of a cure" for a "disease" which is "deep-rooted". On this showing, the best service that we can render in this article for the readers of THE ROUND TABLE is to concentrate attention upon the plan that the Commissioners do put forward with a whole-hearted belief that its adoption will open the way to the solution of a problem insoluble—in their view—on any less radical lines.

The report is a great state paper which is full of character. One of its outstanding features is its extreme intellectual ability, a quality frankly admitted by its critics. Another feature is its moral courage in facing facts, a virtue that is not converted into a vice by giving it the bad name of "defeatism". But there is a third feature in which courage and ability are blended, and that is the report's constructiveness, which is admirable as far as it goes, even if we are right in suggesting that in some respects it may not go far enough. Bold construction and devastating criticism are in this case both crying needs; we have been fortunate indeed in being given a report in which these needs are largely met; and, since the qualities of the critic and the man of action are all too rarely combined, this capital feature of the report is a tribute to the perspicacity of His Majesty's Government at Westminster in making its choice of Commissioners.

The negative service (and it is a great one) that the report performs is to sweep away a whole cobweb of academic attitudes and unrealistic expectations which, for years past, have been standing in the way of any effective attempt to deal with the Palestine situation. That situation

(as the Commission trenchantly point out again and again) has itself neither been standing still nor improving, but has been going from bad to worse at an ever accelerating pace.

To begin with, the Commission have shown common sense in refusing to be drawn into the labyrinth of conflicting arguments about British pledges. The Arabs and the Jews have each taken the line that they are entitled respectively to be granted everything that they ask for (without regard to practical consequences) if only they can demonstrate that their demands are covered, explicitly or implicitly, by some authentic British promise. The Government at Westminster, for their part, have been all too ready to assume that they themselves will be beyond reproach if only they can succeed in demonstrating, on their side, that their written undertakings are legally compatible with one another and with the terms of the present mandate—even though these retrospective British interpretations of British promises made during the war may be demonstrably quite different from other equally reasonable interpretations which the Arabs or the Jews, as the case may be, actually placed upon these promises at the time *bona fide* and without any immediate expostulation from the British Government.

Again, the Commission have shown up a piece of "British hypocrisy" over the present mandate, an error that has always been tiresome and has latterly become pernicious. While the juridical position is that a mandate for Palestine has been conferred upon the United Kingdom by the Principal Allied Powers to be administered to the satisfaction of the Council of the League of Nations as advised by the Permanent Mandates Commission, the historical fact is that the terms of this legal instrument were drafted virtually at the dictation of the Government at Westminster in order to incorporate pledges which His Majesty's Government had already given on their own account and to implement a policy upon which His Majesty's Government had already decided for themselves. The

fiction is one in which, like the Britons that we are, we have come almost genuinely to believe. As Mr. Ormsby-Gore put it in the House of Commons on July 21, "the mandate in the minds of some people has become a sort of Bible, every word of which is inspired"; and he was right in adding that "this is hopeless"—for how can a document be supernaturally sacrosanct when one has drafted it oneself for one's own convenience? Moreover, time is not on the side of the present mandatory régime. To quote Mr. Ormsby-Gore again, we cannot any longer go to Geneva and say: "The mandate is working all right; it can be implemented, and it can never be changed". The Commission give cogent grounds for believing that, under this régime, "peace, order and good government can only be maintained in Palestine by a rigorous system of repression". In their opinion, they would be failing in their duty if they "said anything to encourage a hopeful outlook for the future peace of Palestine under the existing system or anything akin to it". "An irrepressible conflict has arisen between two national communities within the narrow bounds of one small country"; and "it is not easy to pursue the dark path of repression without seeing daylight at the end of it".

The Commission give a number of weighty reasons for their conclusion that "the situation in Palestine has reached a deadlock". For one thing, "self-governing institutions cannot be developed in the peculiar circumstances of Palestine under the mandate"—though their development is one of the principal duties imposed on the mandatory by the mandate itself. "To maintain that Palestinian citizenship has any moral meaning is a mischievous pretence; neither Arab nor Jew has any sense of service to a single State." In these circumstances the mandatory Administration in Palestine—which ought not to be made a scapegoat for having failed in a task that has proved to be an impossible one—has vainly displayed an unwearying conciliatoriness and an impartiality so pedantically

meticulous that the Commission nickname it "government by arithmetic". But "conciliation, like impartiality, has failed"; and the Administration has been reluctant to resort to the *ultima ratio* of unsuccessful Governments. "The elementary duty of providing public security has not been discharged." Lord Snell was certainly right when he said in the House of Lords on July 20 that the Commission, in making their findings, were asking us "to confess now that we were unable to do what we solemnly engaged to do". But Lord Peel (the Chairman of the Royal Commission) was surely equally right, and more to the point, in replying that "he saw no discredit if we said that we had failed in what we believed to be an impossible task". And Lord Dufferin was unanswerable when in the same debate he submitted on the Government's behalf that it was far better to admit defeat and boldly change our course "than to attempt . . . to disguise a failure which affected the lives and the happiness of so many thousands of Jews and Arabs alike".

II. The Fruits of Nationalism

BUT why has the present mandate failed? We may usefully pause to ask a question that must throw light upon the prospects of the Commission's alternative plan. But this raises the prior question: what was the miscalculation that led British statesmen, some twenty years ago, to believe that the arrangements that have now broken down could be made to work? The Commission have probed down to this original mistake. It was a "belief that the obligations . . . undertaken towards the Arabs and the Jews respectively would prove in course of time to be mutually compatible owing to the conciliatory effect on the Palestine Arabs of the material prosperity which Jewish immigration would bring to Palestine as a whole". *

* Lord Balfour's biographer, in a letter to *The Times* of July 29, has definitely attributed this view to the author of the Declaration in favour of the Jewish National Home.

This belief did indeed show a lack of psychological insight which it is rather humiliating now to have to confess. It was stupid because it assumed that the Palestinian Arab would be truer to the type of our own classical political economists' imaginary *homo economicus* than any European or American specimen of humanity had ever yet been known to be in real life, while at the same time it assumed that this obliging Arab would conveniently remain utterly "Oriental" in the sense that he would remain immune from the nationalism of our Occidental *homo politicus*. As we must now ruefully admit—after having been taught by trial and error—this incongruous pair of expectations was pathetically unrealistic. For it is patent that the Arab was bound either to be impervious to both elements of our Western civilisation or else to be infected by both of them; and, as it has turned out (most unluckily for us), the Palestinian Arab has caught the political virus of our Western culture a good deal more violently than the economic one.

The behaviour of the Palestinian Arab community as a whole under the present régime has been governed, not by the Arab landowner's will to profit by selling real estate at fancy prices to Jewish buyers, but by the Arab intelligentsia's will to be "like all the nations" of an irresistibly fashionable Western world. Political snobbery has weighed with the Arabs more than economic greed. That is hardly to their discredit. They have been unwilling to sell for a mess of pottage a claim to sovereign national independence which they have been taught to regard as their birthright—taught by a Western political education which they have absorbed through innumerable channels, including our own British war-time propaganda. That is why the Commission "have found that though the Arabs have benefited by the development of the country owing to Jewish immigration, this has had no conciliatory effect; on the contrary, improvement in the economic situation in Palestine has meant the deterioration of the political situation". They are incontestably right in seeing no hope that

material prosperity will operate as a political panacea in the future any more than it has worked that way hitherto. Nationalism, as Mr. Ormsby-Gore put it without exaggeration in the House of Commons on July 21, is the "*one thing in the world to-day for which men are prepared to sacrifice all material interests and the most cherished traditions*".

It is the widespread ferment of nationalism—not among the Palestinian Arabs only but among all the Arabs in Asia and Africa, and not only among the Jewish settlers in Palestine but also among the Jews throughout the world and among the Gentiles in eastern and central Europe—that has latterly brought to a head in Palestine a local conflict of nationalisms which was perhaps bound to break out in any case sooner or later. The Commission acutely point out that the present crisis in Palestine is the immediate result of two sets of political events—one in the Middle East and the other in central Europe—which have happened to coincide in date, though each has developed independently of the other except in the sense that they are both products of the same world-wide political movement.

In the Middle East, where there was not one independent Arab State on the map before the war, there is now not a single Arab territory, outside Palestine, that has not by this time either attained, or come to the verge of attaining, its sovereign independence. First Saudi Arabia, then Yemen, then 'Iraq, then, last year, Egypt have successively arrived at this goal; Syria and the Lebanon have concluded treaties with France that will bring them their independence within three years; and even the Transjordanian half of the present British mandated territory already enjoys a large measure of autonomy. Cisjordanian Palestine is to-day the only fragment of an Arab world extending from the Tigris to the Nile and from the Orontes to the Indian Ocean that remains under an alien government "of the crown colony type" which is "unsuitable in normal

circumstances for governing educated Arabs or democratic Jews".

These Middle Eastern events are enough to account for the present revolt of the Palestinian Arabs against the British mandatory régime and against the provision in the mandate for the establishment in Palestine of a Jewish national home. *Zionism has been, in the first place, an obstacle to the attainment by the Palestinian Arabs of the national independence that has been gained by one Arab community after another in the surrounding countries; and in the second place it has threatened to deprive the* Palestinian Arabs not merely of the prospect of independence—which, after all, they have never yet tasted—but also of the possession of land and homes that they have inherited from their forefathers. And now, during the last four years, progress in the building up of the Jewish national home in Palestine—the very name of which is a monument of the nationalism that has been captivating Jewry throughout the world—has been almost sensationally intensified as an indirect consequence of the development of nationalism in Germany, where under the National-Socialist régime a morbid idolisation of a hypothetical "Nordic race" has found expression in a militant anti-semitism. An influx of Jewish refugees into Palestine out of Germany and neighbouring countries that have caught the same infection has thus coincided in date with the conclusion of the Anglo-Egyptian, Franco-Syrian and Franco-Lebanese treaties last year. Under the double pressure of these two sets of events, our long-since embarrassed British attempt to work the present mandate has now broken down; and the hard fact of this breakdown has forced the Commission to conclude that the only hope of a cure for the disease from which Palestine is suffering lies in a "surgical operation".

III. A Surgical Operation

THE supreme merit of the Commission's drastic plan for a lasting settlement is that—as Lord Peel put it in the House of Lords on July 20—" it will start both races on a new keel and on a new course ". At present, both the Arab and the Jewish communities in Palestine are completely thwarted politically, since both are living—and necessarily so, while they are living together—under an alien, crown colony government, whereas each wants something quite different, namely, national self-government. The Commission's surgical operation—and this alone—can give both the two parties the substance of what they both desire. If the whole of Palestine except two small residual enclaves round Jerusalem and Nazareth is withdrawn from the British mandatory régime and divided between a Jewish and an Arab State, then the Palestinian Jews and the Palestinian Arabs will at last each have a national home of their own to be masters in. Though neither will have, or can have, the whole of their present Palestinian arena of conflict for themselves, they will each have sufficient territory for their fundamental needs. The Arab State will be large and strong enough, when its share of Cisjordanian Palestine is united with Transjordan, to take its place alongside the existing Arab States that are its neighbours. The Jewish State will have room—even within its narrower limits—for the close settlement of many more hundreds of thousands of east and central European Jewish refugees, without being shackled by the immigration restrictions that are at present necessarily imposed by an alien mandatory authority, which is trustee not only for the Jews but also for the Arabs.

These advantages of the proposed surgical operation are indeed enormous, and the Commission's political surgery does not stand condemned because (as Lord Samuel has pointed out) " they have put a Saar, a Polish Corridor, and half-a-dozen Danzigs and Memels in a country the size of

Wales", and have left a quarter of a million Arabs in a Jewish State the size of Norfolk. The surgeon's knife can never be wielded without some cost; but a paralysed man to whom the knife has restored the power to walk cannot reasonably complain if his leg comes out scarred or even partially withered. After all, these corridors and enclaves have not been created out of sheer perversity by the would-be peace-makers in Palestine, or in Europe either. Such blemishes are an inevitable toll upon any attempt to draw frontiers and build States on purely national bases; for nationalism, after all, is only a grand name for tribalism, and tribalism is a rather crude political ideal which never can work out in practice very satisfactorily. But that does not mean that either the Palestine Commission or the makers of the peace settlement of 1919–20 have been wrong in adopting the view that the most statesmanlike course is to make a sincere effort to meet the demands of nationalism to the utmost possible extent. Though we may regret the hold that nationalism possesses over most of mankind to-day, it is folly to ignore the fact, as the history of the Palestine mandate shows.

Nor should prejudice be excited against the proposed surgical operation in Palestine by giving it the invidious name of "partition"; for the word "partition" implies the destruction of some historic or natural unity. In the European peace settlement, one such unity—the ancient kingdom of Hungary, which coincided with the middle Danube basin—was sacrificed on the altar of nationalism, while another—the ancient kingdom of Bohemia, coinciding with the upper Elbe basin—was preserved in the peace settlement at the cost of withholding national self-determination from the Bohemian Germans. But the territory that was placed in the peace settlement under a British mandate with the label of "Palestine" is not a unity of this Bohemian or Hungarian kind; for its frontiers represent neither natural geographical boundaries nor historic political divisions. The Arab population of this

arbitrarily delimited area has no traditional "Palestinian" consciousness. As far as its horizon extends beyond the village it embraces the whole of Dar-al-Islam; and the capital city to which these Arabs instinctively look is not Jerusalem but Damascus. Reunion with Damascus would probably mean more to most of them than separation from Haifa (or from Tel Aviv!). And as for the Zionist settlers in Palestine, they are new-comers who cannot reasonably *claim an emotional stake in any particular plots of* Palestinian ground beyond the limits of their own settlements, with the one immense exception of Zion itself, which is equally sacred to Christians and to Muslims; and the Commission have proposed to meet the Zionists' legitimate demands by including all but a very small fringe of the Zionist settlements in the new Jewish State, while Zion, under the new British mandate, is still to remain a common possession of Jews, Muslims and Christians.

IV. Building for the Future

If the Commission's plan is open to criticism, it is not so much for what it contains as for what it omits. Its merit is that it gives both Jewish and Arab nationalism the widest possible scope. Its weakness is that it does not, perhaps, sufficiently allow for the evident and important fact that this provision for a maximum possible satisfaction of diverse national aspirations cannot be the end of the story. If and when the present mandated territory has been successfully carved up into a Jewish national State, an Arab national State, and a residual mandated area, what are to be the future relations between these three separate political entities? The Commission propose that each of the two national States shall enter into a treaty with the United Kingdom; but this can hardly be an effective substitute for a direct treaty between the two neighbours. They also recommend that each of the three entities shall be assured of free transit for goods in bond across the

territories of the other two; and they express a pious hope that the three administrations will go as far as they can towards introducing identical customs tariffs. But this modicum of political and economic co-operation is surely much too little to make the plan really workable, and we welcome Lord Samuel's suggestion (which, so far from being an alternative to the Commission's plan, is a necessary complement to it) that "Great Britain, with the full co-operation of the Zionist Movement, should assist in forming a great confederation of Arab countries" in the expectation that "the hinterland would then come to the markets of Palestine".

The whole course of economic development in Palestine and throughout the Middle East since the war shows that this hinterland is the key to the prosperity of any States, whether Arab or Jewish, that may arise on Palestinian ground. The great economic event in this part of the world since the war has been the conquest of the Syrian desert by our modern technique. The semicircle of Arab countries—Palestine, Lebanon, Syria, 'Iraq—which used to be a "fertile crescent" with an almost impassable desert between its horns, has been transformed into a bow with quite a number of strings to it: an air route, a motor route, a pipe line, and possibly a railway to follow. In consequence, Palestine—situated, as it is, at the western tip of the bow—has become the Mediterranean vestibule of a hinterland that stretches away eastwards to Baghdad, and even to Teheran. It is paradoxical that in the pre-war age, before the desert route was opened up, the Arab countries which this route has since brought so close together should all have been under a single flag, whereas to-day, when science has physically knitted them up, nationalism is politically partitioning this area, now for the first time a natural unity, into no less than five sovereign independent States: an 'Iraq, a Syria, a Lebanon, and finally a couple of new States, one Arab and one Jewish, in Palestine. "Closer union", to use the apposite African

term, is a crying need for south-western Asia; and we submit that His Majesty's Government ought to act on the view that one of the indispensable conditions for a lasting settlement in Palestine is that a concerted effort should be made by the British and French and Arab and Jewish Governments to bring these five countries into a close association that will be not merely economic but also political.

There are the elements here for a bargain which would facilitate a happy settlement of the serious problem of the Arab minority that is bound to be netted within the frontiers of the Jewish State, however skilfully these may be drawn. The Arab States' command over the Jewish State's economically vital hinterland is a consideration that ought to move the Jewish State, on its side, to deal generously with its considerable Arab minority, giving extensive minority rights to Arabs who stay, and assisting financially in the re-settlement of Arabs who emigrate, in return for an Arab assurance that the Arab hinterland will be thrown open to Jewish economic enterprise.

The contribution that a settlement of the economic problem could make to a settlement of the minorities problem is direct and manifest; but the minorities problem, while perhaps the most urgent of the political questions that will be raised by the present, and indeed by any, plan for a lasting peace in Palestine, is of course not the only political factor that has to be reckoned with. Sovereign independence means, among other things, responsibility for national self-defence; and when sovereignty is conferred upon different communities which are in physical contact with each other at close quarters, and whose national feelings have been heated by friction to a supra-normal temperature, there is a danger of each party's seeing in its neighbour's measures for self-defence a menace to its own security. Anything like an armaments race or a border warfare between the infant successor-States of the Ottoman Empire in south-western Asia would be fatal to

the prospects of each and all of them; and this is a danger that must be exorcised. Under existing and proposed arrangements in both the French and the British mandated territories, the onus of keeping the peace between the new States (in the one case between Syria and the Lebanon and in the other between the Arab and the Jewish States in Palestine) is being left for the moment to rest on the shoulders of the European Powers that have hitherto held mandates for the guardianship of these Asiatic countries. This, however, is merely a provisional treatment of the military problem, and to count on it as a permanent solution would be a serious mistake. If the wards are to become fully adult, they must eventually manage to settle this military problem by direct agreement between themselves, and we believe that they will be able to take this final step towards genuine political independence when their essential community of interest has been brought out by a practical illustration in the economic sphere.

With such constructive additions, we believe that the Commission's plan is capable of producing a lasting settlement not in Palestine only but throughout the rest of the Middle East, with which the destinies of Palestine are inextricably bound up.

It only remains to touch briefly upon the reception of the report up to date. The Government at Westminster lost no time in announcing that they found themselves in general agreement with the arguments and conclusions of the Commission, and that they proposed to take steps "to obtain freedom to give effect to a scheme of partition"; but in the debate in the House of Commons on the nights of July 21 and 22 they accepted an amendment to their motion on a point, not of policy, but of procedure—to the effect that, after the Commission's proposals had been submitted to the League of Nations, a definite scheme, framed in the light of them, should be presented by His Majesty's Government to Parliament. At the turn of July and August, the Commission's report was duly considered

by the Permanent Mandates Commission; the Council and the Assembly have still to pass upon it before it comes back to Westminster again. By a large majority the Zionist Congress at Zurich, while rejecting the actual scheme of partition proposed, authorised its executive to negotiate with the British Government for the creation of a Jewish State in Palestine, subject to reference back to a newly elected Congress. The resolution denied that the national aspirations of the Jewish people and of the Arabs of Palestine were irreconcilable, and offered to seek a peaceful settlement with the Arabs " based on the free development of both peoples and the mutual recognition of their respective rights ". The Arabs, like the Jews, have been divided in their attitude; special prominence has been given to a Note from the 'Iraq Government to the League, declaring that the only hope for a permanent settlement " depends upon the recognition of an integral independent Palestine, in which the Jews accept now, once for all, the position of a minority ". It is evident that scarcely anybody likes the Commission's plan for its own sake; but it is equally evident that nobody has either any workable alternative to put forward in its place or any effective answer to give to the Commission's contention that the present régime in Palestine can no longer be made to work.

In our belief, the proper way to deal with the Commission's constructive proposals is not to whittle them down but to use them as foundations for a more ambitious piece of political architecture. If the three areas into which the Commission propose to divide the present British mandated territory can be built into the larger structure of a customs union—and, if possible, a political association—embracing not only the Palestinian Arab and Jewish States and mandated area but also all the Arab countries in southwestern Asia, then the weaknesses in the Commission's design will have been overcome, and " the possibility of a lasting settlement ", which the Commission see in their plan, will in truth be in sight.

CANADA AND THE PRIVY COUNCIL

THE historian, looking back upon events in Canada during the 1930's, may well come to consider January 28, 1937, as a most significant date. For on that day the Privy Council rendered its decisions on eight of Mr. Bennett's reform measures, and in so doing destroyed once for all the hope that social and economic change in the Dominion might be directed along national lines by the use of existing constitutional powers. From that moment it became clear that the Canadian people would either have to trust for their salvation to economic forces over which they can exercise little governmental control, or else have to undertake the exceedingly difficult task of changing the constitution in order to make the Dominion Parliament an efficient instrument for carrying through a positive national policy. As the realisation of this inevitable choice begins to sink into the popular mind, Canadian politics are likely to become more and more concerned with constitutional issues. The defeat suffered by the federal authorities has been so serious that, until some new agreement has been reached between the Dominion and the provinces, Canada will be unable either to set her own house in order or to co-operate effectively with her sister nations in the solution of world problems.

I. The Background

THE reason why so many constitutional questions were all referred to the courts together is to be found in the peculiar political situation existing in Canada in 1935. It

will be remembered that Mr. Bennett went through an extremely rapid conversion during his last years in office. He began his administration in 1930 as a staunch conservative of the old school; he ended it as an advanced liberal, well to the left of Mr. Mackenzie King. In 1930 Mr. Bennett was endeavouring to cure the depression with high tariffs, "sound" money, and rigid government economies; by 1934 Canada was off gold, the Ottawa agreements had been negotiated, the first Dominion marketing Act was in force, and the Stevens enquiry was busy unearthing the shadier transactions of certain corporations and awakening public opinion to the need for extensive reforms. In 1935 came an even more rapid advance, culminating, in the last session before the general election, in legislation to provide unemployment insurance, to regulate unfair competition and monopolies, and to implement the International Labour Organisation conventions dealing with limitation of hours, minimum wages, and the weekly day of rest.

Mr. King and his Liberal followers obviously could not object to most of this legislation while in Opposition, since in principle it had long been part of their party programme. Their line of attack upon the Government was not to fight the Bills as they were introduced, but to question their constitutionality. Both Mr. King and Mr. Lapointe took the stand that some of the matters dealt with, particularly those covered by the I.L.O. conventions, fell within the domain of the provinces, and they thought that the legality of the measures was so dubious that the question of legislative jurisdiction should first be cleared up. When Mr. King came into office he accordingly took steps at once to discover what the law was. On November 5, 1935, making use of the special power under the Canadian constitution whereby hypothetical questions of law may be referred by the executive to the judiciary, he submitted eight of Mr. Bennett's most important statutes to the Supreme Court of Canada. Thus was created the rather

curious situation of a Government having to defend before the courts certain laws which it had itself declared, when in opposition, to be *ultra vires*. Scarcely the most impassioned plea for the Dominion was to be expected under such circumstances, and Mr. Bennett has since charged in the House that the case for federal jurisdiction was very poorly presented to the Judicial Committee. On one question decided adversely to the Dominion in the Supreme Court, namely, the validity of section 14 of the Dominion Trade and Industry Commission Act, providing for the approval of certain agreements entered into by industries to avoid wasteful competition, Mr. King did not even trouble to take an appeal.

II. The Decisions

THE general purpose of the statutes under discussion was to give protection to farmers and workers, and to remove some of the worst abuses produced by cut-throat competition on the one hand and unregulated private monopoly on the other. Of special concern to the farming population were the Farmers Creditors Arrangement Act, enabling compositions to be made between debtors and creditors with the purpose of avoiding farm bankruptcies, and the Natural Products Marketing Act, under which a Dominion marketing board was established to approve and enforce marketing schemes adopted by groups of primary producers. The latter Act, which was largely modelled on English control schemes, had been especially welcome in the country. Every one of the nine provinces had adopted similar legislation, with the intention of supplementing any want of jurisdiction that might exist in the Dominion Act viewed by itself. Neither the Supreme Court nor the Judicial Committee, however, appeared to consider this co-operative effort of any relevance, and held the Dominion Act *ultra vires* because it dealt in part with trade within the provinces, which is a provincial matter, as well as with trade between provinces or with foreign countries, where

Dominion jurisdiction is unquestioned. Thus the entire national marketing scheme, supported by the statutes of all ten legislatures, fell to the ground through a flaw in one part of the Dominion statute. On the other hand, the Farmers Creditors Arrangement Act was upheld in both courts as being a matter falling within the Dominion jurisdiction over bankruptcy and insolvency.

Four of the statutes were designed to alleviate the position of the industrial workers, whose wages, as revealed by the Stevens enquiry, had been driven down to shockingly low levels in many industries. The first of these, the Employment and Social Insurance Act, established a Dominion Commission with power to administer an unemployment service and an insurance fund collected from compulsory contributions by employers and workers. Canada had never previously made any provision for unemployment, and throughout the depression was, and still is, carrying the unemployed on direct dole payments raised through taxation or borrowing. The new Act was not based on any international convention, and was sought to be justified as an exercise of the Dominion power over taxation, over trade and commerce, or else over all residuary matters affecting the " peace, order and good government " of the country. The Supreme Court by a majority of 4 to 2, and the Judicial Committee, held the Act invalid on every ground. Lord Atkin pointed out that just because the Dominion can raise a fund by taxation it by no means follows that legislation disposing of it is valid. Ottawa, it seems, cannot spend its own money in any way it likes. Arguing from this position some critics now suggest that the present old age pensions legislation in Canada may be illegal, since pensions are in part paid out of a Dominion fund in much the same manner as was provided in the Employment and Social Insurance Act.

The other three statutes of interest to the working population were the Weekly Rest in Industrial Undertakings Act, the Minimum Wages Act, and the Limitation

of Hours of Work Act. Each of these Acts was based upon, and was preceded by ratification of, the related I.L.O. convention. Canada has been very slow in the past in ratifying the Geneva conventions, partly through doubt of her capacity to implement those dealing with matters normally of provincial concern, partly on account of the *laissez-faire* attitude of her previous Governments. Mr. Bennett determined on a courageous policy of ratification and enforcement. This action raised the most important constitutional question of all—namely, the right of the Dominion to enter into and give effect to purely Canadian treaties with foreign countries. In the Supreme Court the question was resolved in favour of the Dominion by reason of an equal division of votes. Three out of the four English-speaking judges upheld the legislation, while the two French and one of the English members of the court declared it *ultra vires*. The Privy Council agreed with the latter. The Dominion, Lord Atkin said, has not acquired any new legislative capacity by her attainment of Dominion status. The British North America Act does not provide for her acting alone in international affairs. Section 132 of that Act says that

> the Parliament and Government of Canada shall have all powers necessary or proper for performing the obligations of Canada or of any province thereof, as part of the British Empire, towards foreign countries arising under treaties between the Empire and such foreign countries.

But it cannot apply here, since these obligations are not obligations of Canada as part of the British Empire, but of Canada by virtue of her new international status. The question of jurisdiction must be decided by reference to sections 91 and 92 dealing with the general distribution of powers, and here it will be found that the subject-matter of the conventions falls within the heading "property and civil rights", which is assigned to the provinces. Nor was there anything to suggest the existence of any "abnormal circumstances" or "extraordinary peril to the material life

of Canada", which would place these subjects in the Dominion residuary clause. The kind of peril that would justify invoking this clause must apparently be something more serious than the world economic depression.

The two remaining statutes that were considered in the consolidated appeals dealt with the regulation of monopolies and unfair trade practices. The Dominion Trade and Industry Commission Act set up a new Dominion body with power to administer the Combines Act, to investigate the use of undesirable competitive methods, and to fix commodity standards by adoption of a national trade mark. These regulatory powers were given legal sanctions by the addition of section 498A to the Criminal Code, which makes it a crime for dealers to give varying rebates to different purchasers buying under similar conditions, or to sell at unnecessarily low prices in Canada in order to eliminate a competitor. Both statutes were upheld by the Privy Council, which in this respect overruled part of the Supreme Court's decision adverse to the Dominion claims.

The immediate result of the decisions, therefore, is that the five statutes dealing with control of marketing, unemployment insurance, minimum wages, limitation of hours and weekly day of rest were totally invalidated, while the three relating to farm debts, the Trade and Industry Commission and criminal trade practices were maintained in full save for the one point, noted above, on which no appeal was taken. From the social and political aspect, however, the importance of those declared *ultra vires* far outweighs those that were upheld.

III. The Consequences

CONSTITUTIONAL experts in Canada are now busy trying to fit the decisions into the general body of Canadian constitutional law, and to estimate their effects upon the working of the constitution in the future. The entire June number of the *Canadian Bar Review* was devoted

to this discussion, to which many authorities contributed. Certain important conclusions emerge. First and foremost, it is obvious that Canada's international position has been grievously injured as a result of her inability henceforth to give legislative effect to international conventions touching upon property and civil rights. This interpretation, which virtually overrules the previous decision of the Judicial Committee in the *Radio* case, throws the whole treaty-making power of the Dominion into the utmost confusion. In the words of Dean MacDonald of the Dalhousie Law School,

> The source of treaty-performing power in Canada now turns first upon the type of treaty, *i.e.*, upon how and by whom it was brought about, etc. If it is of one type (Empire) the power resides in section 132; if of another (Canadian) the power resides (*a*) in section 92 or (*b*) in section 91, and in the latter case it may reside either in (i) the enumerated heads or (ii) (in case of national emergency) in the "Peace, Order and Good Government" clause. This is the judicial labyrinth through which Canadian diplomats and Canadian legislators must be able to see their ways if effective treaties are to be made, while their legal advisers will be tortured by very real doubts as to what constitutes an "Empire" treaty under section 132 and whether "conventions" differ from "treaties" for this purpose, and how far either differs from "inter-governmental agreements"; and by the inescapable necessity of determining whether the topics covered, or to be covered, by the document are in pith and substance in relation to "classes of subjects" assigned to the Dominion or to the provinces.

To put the matter another way, the Privy Council now informs Canadians that their achievement of Dominion status has destroyed their national unity in world affairs: in regard to an "Empire" treaty the federal Parliament is fully competent to legislate even for provinces, but in regard to a Canadian treaty the federal Parliament is incompetent over a whole range of important matters. Dominion status, it appears, raised the international position of the provinces and lowered that of the Dominion. This *reductio ad absurdum* represents the actual state of affairs, unless some future Judicial Committee will distinguish

I.L.O. conventions from full treaties made between Heads of States, and will allow the Dominion to enforce the latter.

Two further constitutional consequences of the decisions are of far-reaching effect. The Dominion residuary clause is to all intents and purposes ruled out of the constitution. An emergency power whose use the world crisis does not justify is no power at all. The Canadian federation has become one in which the central body has specified powers only, while the provincial bodies have both specified and residuary powers. The "property and civil rights" clause of section 92 has been expanded beyond reason, to include all the important new subjects of legislation, even to the implementing of certain Canadian treaties. Judicial interpretation, almost exclusively the work of the Privy Council, has thus completely reversed the text and intent of the framers of the original Act, who deliberately avoided the American model in which all powers not named were reserved to the states or to the people. In the years to come this principle of interpretation will continue to decentralise Canada, as laws become more and more concerned with social and economic matters not named in sections 91 or 92. And, secondly, the decisions cast grave doubts upon the utility of Dominion-provincial co-operation as a way round constitutional difficulties. It seemed logical to suppose that if every legislature in Canada agreed to carry through a particular policy and so legislated, all questions of jurisdiction would be overcome, since there would be a general pooling of every necessary power. This method is being used for old age pensions and for the settlement of industrial disputes, but it did not avail to save the Marketing Act. The courts do not intend to be deprived of their legal subtleties by any legislative unanimity.

The social and political consequences of the decisions are less easy to foretell but are of more immediate concern. The first whole-hearted attempt in Canada to deal with the problems arising out of the depression has been frustrated

by the courts, exactly as occurred in the United States. Canada is now back approximately where she stood in 1929. The basic problems are still unsolved, and the fact that the Dominion Parliament seems to lack the power to solve them dampens the ardour of reformers and creates a sense of futility inimical to progress. Provincial reforms and provincial legislation are helpful up to a point, but cannot be an adequate substitute for Dominion action, since the provinces never pursue a uniform or consistent policy and are themselves hampered by lack of jurisdiction and of money. While the obvious remedy is to set about amending the constitution, the obstacles in the way of this solution are enough to deter even the hardiest statesman. There has never yet in the history of the Dominion been any amendment to sections 91 and 92 of the British North America Act, and there is not even in existence an agreed method of amendment. Moreover, provincial and sectional feeling is running high. The leaders in the provincial fields, like Mr. Hepburn in Ontario, Mr. Duplessis in Quebec, and Mr. Aberhart in Alberta, are more colourful and certainly much more daring than Mr. King and his colleagues, and tend to prevent a unity of political thought in the country. The French Canadian nationalists in particular will drive a hard bargain before they surrender an inch of Quebec's autonomy; the Privy Council has played fairy godmother to their cause. Bold leadership from Ottawa, a well-devised and simple scheme of amendment and several years of public education will be necessary before any movement for constitutional reform is likely to be successful. At the moment all three prerequisites are wanting. The recently appointed Royal Commission upon the financial relations between the Dominion and the provinces should prove helpful, since financial problems are inseparable from those of legislative jurisdiction over the costly social services, but it will obviously be some time before a report from this body can be expected. Meanwhile there is a feeling that the sands are running out.

The appeal to the Privy Council has been criticised many times in Canada. *That a self-governing Dominion should continue to use an external court staffed by nationals of another part of the Commonwealth as its final court of appeal is an anomaly which no logic can justify.* The effect of the recent decisions has been to crystallise the opinion opposed to the appeal. It is now being pointed out that the somewhat haphazard method of selecting the judges who will hear any particular case results in a discontinuity of personnel which is reflected in the confusion in the stated law. Not a single member of the board that heard these recent appeals was a member of the board that decided the *Radio* case in 1932; yet the *Radio* reference was far and away the most relevant previous decision. Only two out of the five members were present at the *Aeronautics* hearing. Canadian constitutional law, after seventy years of independent development, is a comprehensive and difficult subject. No *ad hoc* tribunal, out of touch with Canadian sentiment, can bring to the interpretation of that law the nice balance between legality and wise adaptability that is needed in the evolution of every written constitution.

Canada,
July 1937.

BOOMS, SLUMPS AND ARMAMENTS

I. Five Years of Recovery

MORE than five years have now passed since the first hesitant signs of world recovery appeared. In July 1932 prices on the London and New York stock exchanges touched their lowest points, as did those of many of the most important world commodities; at about the same time the British unemployment figures, adjusted for the normal fluctuation from season to season, reached their peak. Australia, first to feel the effects of the world slump, was already giving definite evidence of recovery. In Great Britain, the depreciation of sterling was beginning to show its effect in insulating the British economy from further deflation. The success of the Lausanne reparations conference, coming at the psychological moment, induced the first burst of confidence in the world's markets. The corner had been turned.

Five years, judging by all past experience, is a long (though not unprecedented) time for the upward phase of the trade cycle to last. Not unnaturally, then, the horizon of the immediate future is being scanned with increasing care by those responsible for business and government.

To the general public, the world still appears deep in depression. That conclusion would, indeed, seem inescapable if one gave but a superficial glance at some of the more generally understood indicators of the state of trade. International trade, for example, lags far behind internal revival. Unemployment in Great Britain is still more than a third higher than the figure that was considered proof of depression in 1929; the unemployed of the United States

remain in their uncounted millions. But these surface indications are deceptive. In Great Britain, at least, there are many signs that the slump is over, and even that the boom has arrived. Unemployment may stand at over 1,300,000; but there is a definite shortage of skilled labour, except in one or two industries. While exports are running at only four-fifths of their 1929 volume, many domestic trades show astonishing activity. Steel production is more than a third larger than in 1929; there are twice as many cars on the roads as there were eight years ago; nearly double the number of houses are being built; the output of rayon is not far from three times as large.

Slowly the recognition that the depression—in its cyclical aspect, at least—is past is spreading over public opinion. We have lived through too many lean years since 1929 to change quickly our habits of economic thought. But subconsciously the impression has been produced; it can be seen in the dwindling of public discussions of unemployment in general, and of advocacy of magic panaceas, and in the transfer of attention to the particular problem of the "special areas". That term is, almost in itself, a recognition of the prosperity of the country as a whole.

In these circumstances, it is not surprising that an increasing number of people have been talking about the "next slump". Some of the more gloomy economists have been predicting a crash ever since 1932; they seem almost to have a grudge against recovery for failing to avenge the gold standard. In recent months the warning voices have been more frequent and more authoritative. Before the sharp fall in commodity and stock markets that preceded and followed the budget, few observers anticipated an immediate change in the trend. But the business world was warned that trade cannot improve for ever, and that the severity of to-morrow's headache depends upon the sobriety of to-day's rejoicing. The retort of the business men—or of many of them—has been to scout the whole notion of trouble ahead. One company chairman, only

slightly more cheerful than others, was reported nöt long ago to have assured his shareholders that " he saw no reason why we cannot, with the added wisdom that our sufferings have taught us, continue indefinitely with that steady yet progressive ' going on ' which was accepted to be our due in Victorian years ". To which the economist can justly reply that precisely the same mood among the leaders of industry has always in the past presaged, first, a speculative boom, and later a collapse. Moreover, the appeal to " Victorian years " is far from safe, since it is from those years that we derive the bulk of our historical knowledge of the behaviour of the trade cycle.

The study of the trade cycle at this moment is thus as appropriate as the purchase of furs in autumn. Nor need we be deterred by the perennial argument whether there is anything that can justly be called a trade *cycle*. Booms may, or may not, be caused by slumps, and slumps by booms. But the hard historical fact remains that the curve of economic activity has never gone up without coming down again, or gone down without eventually returning. And five years is a long time for an uninterrupted rise to last.

II. The Trade Cycle

THIS alternation does not mean, however, that the pattern of the trade cycle is invariable. On the contrary, the exact pattern scarcely ever repeats itself. The experience of Great Britain between 1922 and 1929, for example, can hardly be called a boom, at least without some qualification. It is true that the state of trade was slowly improving. It is true that, compared with some of the later years, 1929 seems in retrospect to have been rather more than moderately prosperous. The stock exchange contrived to have what was indubitably a boom in 1928, and company profits have not yet exceeded the levels they reached in 1929. But at the height of this "prosperity" a Government was turned out of office for failing to conquer

unemployment, and a Mansion House fund was opened to relieve the distress of the unemployed.

For the world outside Great Britain, however, the years 1924–29 were beyond doubt an inflationary period. Practically all the customary signs of a boom were present: immense expenditure on capital plant (blessed in the older industries by the name of "rationalisation"); apparently unlimited bank credit; loans granted to the most dubious borrowers on questionable security; a far more rapid increase in money-indebtedness than in real wealth. In the United States, a single glance at the frenzied manipulations of Wall Street makes further argument unnecessary. But even with all these stigmata of inflation, the pattern differed in one important respect from the usual, for there was no rise in commodity prices. And since the economists had always laid particular stress, in their description and analysis of booms, on the rise of prices, its absence was enough, unfortunately, to induce a false sense of security.

Just as the 1922–29 period differed in its characteristics from one country to another, so has the most recent period of recovery. Great Britain, which had hardly participated at all in the prosperity of 1929, suffered least of all the great nations in the ensuing depression and was the first to recover. Her recovery has been based on a beneficent trinity of cheap sterling, cheap money and cheap food. The depreciation of the pound stimulated the export trades and insulated domestic manufacture from the attacks of some of its keenest foreign competitors. Low interest rates have paved the way for the revival of all forms of capital enterprise, and finally—the factor that is most often forgotten but has certainly not been the least potent of the three—cheap imported food has enabled the British people, as a community, to increase their standard of living (which means their standard of purchasing) right through the depression years.

American recovery is not as advanced as British, nor are

its causes to be found in the same places. In the main, American recovery is a spiritual and material rebound from economic depths such as no other industrial nation has ever before plumbed. German recovery is another matter again; for it is largely based on the creation of government work financed by concealed borrowing. The raw material producers have to thank more orthodox events for their recovery. Glut has produced its own remedy—aided, it is only fair to say, both by Man's restriction schemes and Nature's bad weather. In one commodity after another, demand has overtaken supply, stocks have dwindled, prices have risen and producers have breathed more freely.

The striking thing in the world recovery of the last five years is not the extraordinary diversity of visage in which recovery has appeared (for that is usual), but the simultaneity of its appearance all over the world. Save for the gold bloc, it dates everywhere from 1932–33. And even the exception proves the rule; for it was the stubborn refusal of the gold bloc countries to go with the world's tide that separated them from recovery. When one reflects on the multiplicity of devices designed to secure the economic *compartimentage* of the world, this simultaneity is an impressive testimony to the existence of an underlying unitary trend in the world's economic affairs.

III. Where are We Now?

IF, then, the existence of a trade cycle must be accepted, at what stage in it do we now find ourselves? Apart from the factor of time (which is not, by itself, conclusive, since the fluctuations of the past have varied considerably in duration), some reasons have been given above for believing that recovery in Great Britain has already reached a mature—though not necessarily final—stage. Similar evidence could be reinforced by a great variety of instances. In the closing months of 1936, there was every excuse for

declaring flatly that the boom had arrived. Commodity prices were rising with sensational rapidity. One after another the various restriction schemes were relaxing the control of production in an attempt to keep pace with the ravenous demand. Both in Great Britain and in the United States, the forces of labour were demanding their share in rising profits.

It is now apparent that the pace last autumn was too hot. Early in the New Year the markets became uneasy. The seriousness with which an inherently improbable rumour about the supposed intention of the American Government to lower its buying price for gold was received showed how sensitive were the over-bought commodity markets. In Great Britain, Mr. Neville Chamberlain's National Defence Contribution * served as the occasion for a fall of stock and commodity prices which at times bordered on the hysterical. Markets have been painfully sensitive—perhaps with reason—to the succession of international disturbances and anxieties that represent the greatest of all obstacles to world prosperity and peace. As a result, voices have not been lacking to ask whether the boom had not only arrived but already departed. Prophecy in such matters is hazardous. But it is difficult to find a single sign of immediately impending depression. The markets, having run ahead of the movement of expanding trade and rising prices, had to fall back. But the underlying upward movement continues. That, at least, is the outlook as it appears at the moment.

The conclusion that recovery is in an advanced phase is not in the least incompatible with the unemployment statistics in Britain or elsewhere. The United Kingdom total is still over 1,400,000; but when allowance has been made for the normal minimum amount of unemployment that exists at any time, and for the exceptional distress of the special areas, which is due to the decline of particular industries rather than to the more general influence of the

* See THE ROUND TABLE, No. 107, June 1937, p. 629; and below, p. 822.

trade cycle, the formidable total is whittled away to almost nothing. According to one calculation, there are less than 100,000 "cyclical unemployed" in Great Britain. *If this is true, any further recovery will be limited by the speed with which labour can be transferred out of the stagnant pools of "special" unemployment into the livelier waters of normal industry. And if demand is maintained at its recent level it will have to expend itself mainly in causing an increase* of prices rather than an increase of production. Wages will, and should, be among the first "prices" to rise. All this, set out here in theoretical terms, can to-day be seen happening under our eyes.

This is what is meant when it is said that recovery has reached the stage of maturity. Does it necessarily follow that the next stage must be one of recession, even perhaps of collapse? The answer of economic history is quite clear: every boom has been followed by a slump, though its severity has varied greatly. But may there not be some exceptional circumstance this time that would justify us in the belief that we can avoid the usual fate? Mr. J. M. Keynes has been arguing, with all his persuasive force,* that such an exceptional circumstance can be found in the continuance of low interest rates. In the theory of industrial fluctuations developed by Mr. Keynes in recent years (which is regarded with deep respect, if not yet with full acceptance, by his academic colleagues) the rate of interest plays the central rôle. "Avoid a rise in interest rates as you would avoid hell-fire," says Mr. Keynes, and all will be well. He does not attach primary importance to rising prices or a rapid expansion of bank credit or any of the other usual signs of inflation. The balloon may go up as high as it likes, he seems to be saying, but if interest rates remain on the ground it will not come down again.

In 1929, it will be recalled, the same importance was attached to commodity prices; and the sequel is sufficient

* See THE ROUND TABLE, No. 106, March 1937, pp. 409–410.

to justify an attitude of scepticism towards any proclamation of exceptional circumstances, however eminent the proclaimer. But Mr. Keynes is not a theorist who can be dismissed out of hand; he has been right against the whole world before now. For our present purpose, there is fortunately no need to express even an opinion on the correctness of his views. For his theories and those of the more orthodox economists can be amalgamated into the statement that the best way to prevent recovery from degenerating into an inflationary boom and a later collapse is to prevent any substantial rise in commodity prices *or* in interest rates. Some would lay more emphasis on one element than on another; but for the combined recommendation there would be almost unanimity of support.

IV. The Place of Rearmament

HITHERTO in this article we have been playing "Hamlet" without the Prince of Denmark. It is time for his entrance. How far is universal rearmament responsible for recovery to date, and what will be its effect on future developments?

The part played by rearmament up to the end of 1936 can be determined without very much difficulty. In Germany, its importance has been great, especially if the word be extended to cover everything done with a strategic end in mind, though even in Germany a greater part has been played by the slow revival in international trade than the official propaganda will admit. Broadly speaking, rearmament has been both the originating cause and the dominating influence of German recovery. At the other extreme stands the United States. Until very recently rearmament, American or foreign, has had there a completely negligible effect on the progress of recovery. Even to-day, in that vast economy, its influence must be very small.

The raw-material-producing countries have also, by

and large, recovered substantially without rearmament. Exception may perhaps be made for countries largely dependent upon the production of non-ferrous metals, though even there the rise in price cannot be ascribed to rearmament demands alone, since the reviving peaceful industries have also greatly increased their consumption of metal. In the textiles, especially cotton, it would be possible to trace a rearmament influence. But in the raw commodity trades as a whole the general industrial revival has greatly outweighed any munitions influence; and as for foodstuffs, European preparation against war, by increasing European self-sufficiency, would have had a depressing effect, if it had any at all.

Great Britain has been neither as unaffected by rearmament as the United States, nor as dominated as Germany. Until the end of 1936, the effect of rearmament on British industry was almost certainly very small. This can be gauged by the amount of government expenditure. The expenditure of the three defence forces in the calendar year 1936 was only some £40,700,000 higher than in 1935 and £56,100,000 higher than in 1934. Admittedly, not all the cost of rearmament is reflected in these figures, since contracting firms were busy expanding their plant. But even when multiplied by three or four the figure looks small in comparison with the increase of £650,000,000 in the national income in the same period of two years. Clearly, up to this year rearmament had been only one among other and probably much more important influences.

Up to this year—but the acceleration of spending for defence in 1937 has already been very rapid and is likely to be even swifter before the year is out. With every month that passes, rearmament becomes a more important factor in the continuance of recovery. What will its economic effects be? That is the question that is exercising Government and business alike. Recovery which is based on rearmament financed by borrowing is, of course, " unsound " and will doubtless bring its retribution, in some vague

way and at some unspecified time. So much is generally agreed. But what are the immediate effects likely to be, and in what order will they present themselves?

The impact effect of rearmament upon certain industries is plainly visible. It has contributed to the rapid rise in the prices of all metals; it has assisted in raising steel production to the capacity of the industry and beyond the highest figure ever previously attained; and it is already sucking dry every reserve of skilled labour in the country. The marvel is that the ordinary peaceful production of some industries, such as the motor industry, has not been more directly affected than it has. It is perhaps going too far to say that without rearmament recovery would already be over; for there is very little sign of a reaction in any important trade. Even the often-threatened building industry is maintaining a remarkably high level of activity. But it is true at least that the sudden, hurried and enormous outlay on rearmament is increasing the pressure for expansion of production at a time when it might otherwise be merely maintained. The company chairman already quoted may be taken as representative of many of his fellows:

> The vast national expenditure on armaments cannot do other than create confidence. Armaments cannot be made without [his company's product] (and neither can war), so for this industry at least it would seem that the future holds nothing in the way of cause for immediate despondency.

That rearmament is prolonging the present period of high industrial activity cannot be doubted. But prolongation is also becoming intensification, and activity is turning into boom. We have suffered so much from unemployment since the war that we tend to think of little else. The sole aim of economic policy, it seems, is to reduce unemployment to a minimum. But there are other factors to consider. The old economists maintained that the aim of policy was to increase to a maximum the average real income per head—in other words, to maximise the average standard of living. The old economists were

wrong in ignoring unemployment, but the new economists will be wrong if they ignore the standard of living. It is one of the most striking facts about the recent depression that, despite the doubling and trebling of unemployment, the average standard of living increased. More food has been eaten, more houses occupied, more clothes bought, more wireless sets and bicycles acquired in the depression years than ever before. If rearmament is reducing unemployment at the cost of a lower standard of living for the great majority who are employed, who shall say whether its immediate effect is gain or loss? There is very little sign yet of any serious impairment of the standard of living. But prices of necessaries are rising; and such an effect is all but inevitable, since industry, in the majority of cases, is already working close to capacity. If £300,000,000 worth of armaments is to be produced each year, some curtailment of peaceful production is essential. A fall in the standard of living (small, perhaps, but nevertheless noticeable) will not be an avoidable by-product of rearmament, but the instrumentality through which it achieves its purpose.

This is not the only charge that can be laid against rearmament. For the demand comes most heavily on precisely those industries which tend to grow immoderately in the boom phase of the trade cycle. The rise in commodity prices is thus likely to be intensified. Furthermore, the pressure for working capital to finance munitions contracts causes an enhanced demand for bank advances, and inclines the banks to sell their gilt-edged investments in order to provide the necessary funds. At the same time, the decision to finance rearmament partly by borrowing throws yet another strain on the gilt-edged market. It is arguable—as Mr. Keynes has argued—that all these things *could* happen without raising interest rates. But the fact is that they *are* raising interest rates, as a glance at the price of Consols will show. Thus both prices and interest rates are liable to be raised and every school of thought to be

offended. It would be rash to speak in absolute terms. But, if an eventual slump was inevitable before rearmament intervened, it is even more surely inevitable to-day. And if, before, it could have been avoided by maintaining cheap money, it cannot be so avoided now.

V. The Risk of Collapse

THE impact effects of rearmament are most evident to-day in Great Britain; for the acceleration of expenditure is at the moment greatest here, and the British economy, being furthest advanced in recovery, reacts most impressively to further stimuli. But effects of the same kind, different only in degree, can be observed in many other countries. In each the effect of rearmament is, for the moment, to heighten industrial activity. But it does so only at the cost of distorting the balance of the national economy, driving sound recovery into unsound boom, and gathering labour into industries where its future employment depends on the continuance of world-wide political madness. Even if rearmament could last for ever without provoking an explosion, its virtues in finding jobs for men would be more than offset by its defect of taking food out of the mouths of the children, as well as their parents. Since it cannot last for ever, it is merely ensuring that the next slump is a bad one.

It is not even certain that the change from boom to slump will be deferred by rearmament until the rearmament itself collapses. For rearmament, though large, is not yet (save perhaps in Germany and Italy) so large as to dominate the whole economic life of the nation. If every other factor were pointing towards depression, how much expenditure on armaments would be necessary to maintain activity and employment? A total war will keep industry working at full throttle until the armistice; but a war might well cost £3,000,000,000 a year. Expenditure of £1,000,000,000 a year would probably do the trick. But

would £300,000,000? Nobody knows. And, until we know, we shall have to wait to see whether rearmament on the present scale can wholly suspend the trade cycle or merely distort its shape.

In either case the consequence seems likely to be an intensification of the oscillation between boom and slump, unless counter-measures on an immense scale can intervene. That is not the least part of the price that will have to be paid for international anarchy. The sooner rearmament can be arrested, by international agreement, the less damage it will have done, and the less difficulty there will be in devising an alternative, in expanded international trade or in peaceful public works, to absorb the displaced armament workers. But in the economic sphere, no less than in the political, rearmament can only be an interim phase. When it is ended, the world will have come no nearer to solving its real problems, but will have enormously increased the risks and dangers of failing to find a solution.

PROBLEMS AHEAD IN AMERICA

I. Defeat for the President

ON the afternoon of July 22, as the Senate was driving the last coffin nails into the President's Supreme Court plan, Mr. Roosevelt himself was having an interesting and agreeable time. He was enjoying a visit from the Polish Ambassador, Count Potocki, who came to show him a hand-colored print of Thomas Jefferson, done by the great Polish patriot, General Kosciusko. Mr. Roosevelt, an expert in old prints and a disciple of Jefferson, had an unusually pleasant afternoon.

This little incident illustrates the *insouciance* with which President Roosevelt took his first major defeat: a defeat that might have meant the end of the New Deal and the doom of all his hopes, a defeat that would certainly have destroyed the morale of a President of different temperament, a defeat that might well have meant in Mr. Roosevelt's eyes a tragic downward turning in American history.

But of course the defeat meant none of these things. The New Deal is going on. It is early in the President's second term. He has more than three years in which to work, and much of his majority in Congress—which deserted during this fight—will be doubly glad to come back and support a program of legislation in the fields of executive reorganization, wages-and-hours regulation, farm planning, housing, and so on.

The atmosphere in Washington is now far clearer than it has been since last February 5, when out of a clear and hopeful sky the President began his historic attempt to alter the then-existing Supreme Court majority. At that time, as someone has said, the President was regarded as an

irresistible force and the Supreme Court as an immovable object. But it has since been proved that the President is not an irresistible force, and that the Supreme Court majority is not an immovable object.

Last February, the President had suffered a succession of unfavorable decisions of the Court, which had nullified much of his program. In previous Court terms, there had been 11 vital decisions against the President, and only two in his favor. In the term that was just reaching the decision period on February 5, there have been 17 tests of New Deal legislation, and all 17 decisions have been favorable. Moreover, one of the elder members of the Court has retired, affording the President the opportunity to make his first appointment to the bench. There are persistent rumors that another Justice and possibly a third will retire now that the President's Bill has been defeated. The President would then have as many appointments to the bench as he has any right to expect, and he already has on the books the 17 favorable decisions, with all the precedents they set up.

Practically speaking, therefore, the President has come out of his duel with the judiciary with a good deal of success. But his trouble, as is so often the case with leaders of men, was that he did not know when to stop. He was not willing to take a moderate success, and, like the stock-market plunger, he wagered once too often. But, unlike that gambler, he has not lost everything. His prior gains are tucked away in the stocking.

The President's major blunder was that he did not realize when he had won. After the completion of the unbroken series of New Deal decisions, after the resignation of Justice Van Devanter, the President should have withdrawn his Bill, announcing that the fight was over. Plenty of people told him so at the time. Even then he might have pushed through a Bill allowing him to appoint two additional justices, though that is open to dispute. But no, Mr. Roosevelt has gone the whole bitter way, and is

tasting the fruits that came to Woodrow Wilson. Unlike President Wilson's, however, his losses are not irrevocable and his gains may be more secure.

What of the future? Well, so much of the President's program as is already on the statute books and has been upheld by the Supreme Court now appears to be free from threat of strained judicial interpretation. In that sense, he has definitely won. Now it is his problem to help heal the wounds in his party in Congress, and to restore his personal prestige. These tasks, though great, should not be insuperable. Soon Congress will adjourn. Its members will commune with Nature and their constituents. Nature is a great restorer of tempers and spirits, while the constituents—if the New Deal theory has any validity—will indicate that they still support President Roosevelt's general program, however they may have disagreed about enlarging the Supreme Court.

In future, it appears, the President will have to work a little more conciliatorily to get what he wants from Congress. No longer will it be possible for Tom Corcoran and Ben Cohen (the two young brain-trusters who have been mentioned before in these pages *) to sit up all night with damp towels about their heads and draft legislation to be enacted by Congress in the morning. Congress will resume once more its traditional place as a coordinate branch in the government. So, too, may the Supreme Court—coordinate. And that is good news for America all round.

President Roosevelt has the politician's task of re-establishing his standing with the people and their elected leaders. This he should be able to do by following the path "just to the left of center" which was his avowed course during his first term. His "leftward" deviations this year—in the effort to "pack" the Court (if that be "leftward") and in his general support of John L. Lewis's aggressive labor offensive—must be balanced by opposite

* See The Round Table, No. 107, June 1937, p. 601.

swings. The obvious method would be to follow the several hints that have come out in the past few months, and to strike more forcefully for government retrenchment and a balanced budget. President Roosevelt's first and highest prestige with American opinion was built upon his courageous economy drive in the first weeks of his administration.

At the same time, behind a conservative fiscal policy, the President can press ahead toward his industrial and agricultural controls, toward enlargement of the career service in American government, toward tax reform, toward better housing. These are all greatly important goals. They are jobs that remain to be done. There may well be disagreement over method, but the objectives are agreed, and the methods could be worked out "just to the left of center" without a fundamental cleavage in public opinion.

None of these tasks should lie beyond a President who has hardly begun his second four-year term, and who still has a towering majority in Congress which is eager to be conciliated. It is perfectly possible, of course, for things to work out in a far different pattern, far less agreeably for Mr. Roosevelt. But the outcome is in his hands. If he has learned the obvious lessons from the Supreme Court fight, and does not attempt to make Congress walk over the raw coals, but avails himself of the great political advantages of concession and sweet reasonableness, his future should be clear. It may be worth recording that Mr. Roosevelt, in various private and semi-public contacts which this correspondent has had with him during the past crucial days, has been cool, poised, and fairly realistic.

There is a fundamental issue in the outcome. President Roosevelt failed to get his Court Bill through Congress, not because his adversaries were too clever and supple, not because he was too stubborn and unyielding, not because he created a perfect rallying-ground for his opponents, but because he was proposing to upset forcefully the balance between the three branches of the American

frame of government. Granted that the Supreme Court has been "packed" before in the interests of the established order; granted that many of its decisions have been dictated by what Justice Stone called "personal economic predilections"—the fact remains that the American constitution guarantees the independence of the judiciary from violent upsets by the executive or the legislature. The Supreme Court is regarded as an ultimate guardian of civil liberties, and has sometimes been so. It is a vital part of the American system of checks and balances. It is an essential unit in the purposely cumbersome machine of government in this federal union: part of the deliberate factor of cumbersomeness which most of us believe makes democracy possible at all in a country of this size, diversity, and political indiscipline.

The American people sensed these facts in the recent struggle, or at least a majority of those who are politically coherent did so. There is and was much sympathy with the President's objective, but a pretty general conviction that he should have gone about it in a different way. It is certainly true that the President started his drive on the Court after extreme provocation. He had been steadily balked and blocked by those 11 consecutive unfavorable decisions. Finally, in June 1936, at the height of anti-New-Deal fervor, the Court killed the New York minimum wage law, after it had nullified the Guffey Act in ruling that wages and hours were no federal concern. These were the most extreme acts of the tribunal, bitterly regretted by the Chief Justice—who voted in the minority—and by most of the Court's friends; for they set up a broad "no-man's-land" in which no government could operate.

Moreover, the average age of the Supreme Court justices was at the highest point in history, and for the first time an American President had served a full term without making a single appointment to the Supreme Court. In 1789 the average age of the justices was less than 50 years; in 1841 it was 60 years; in 1889 it was 65 years; in 1937 it

was over 70 years: there were on the bench six justices over 70 years of age and five over 75 years of age. President Taft had during his term of four years five appointments to make; President Harding in a scant two years had four appointments. There was some justification in concluding that the Court under President Roosevelt was on a "sit-down" strike. Having had no opportunity to "reinvigorate" the bench, seeing none ahead of him, and facing instead the possibility of even more unfavorable and handicapping decisions than he had yet received, President Roosevelt interpreted his overwhelming re-electoral mandate as permission to create his own opportunities of appointment to the bench.

He mistook the temper of public opinion, and he and his advisers made blunder after blunder in tactics. The original arguments for his Court plan soon exploded and were thrown away. The later, better arguments were not skilfully used. And then—supreme blunder—he did not realize after 17 favorable decisions and one Justice's retirement that he had really won.

American public opinion has had an exhilarating experience. It has been shown that there are great underlying currents which prevent any Administration from going to extremes. The same sort of public opinion has also rebuked John L. Lewis, with his C.I.O. drive for industrial unionism, and he has pulled in his horns with greater speed than the President.

So people are concluding that the defeat of the Court Bill was the very best thing that could have happened for the country. Far from crippling the New Deal, it can only tend to make it more moderate. And in an enormously important sense it has proved the vitality of public opinion in holding government to the middle of the road. The drift toward authoritarian rule in other countries was of impelling influence in holding President Roosevelt back. People were anxious to show that "It Can't Happen Here", and they included some of the President's best

friends. Now the way is open for Mr. Roosevelt to show what he can do with a straight legislative program.

II. Tasks for Congress

CONGRESS is, however, expected to adjourn fairly soon and to save up its most important tasks either for the regular session in January or for a special session in October. There are four major fields for legislative action.

First, reorganization of the executive side of the government. Back in January, an expert committee (which had, incidentally, travelled in Great Britain) brought out a report which restored the administrative machinery to a neat blueprint basis after decades and generations of unplanned growth. But, more important than that, the experts recommended extension of the permanent civil service right up to American Cabinet officers and their immediate assistants. In so recommending, the experts took advantage of deep-seated sentiment that had grown and been cultivated with great zeal for the previous year. Various Bills for the abolition of the patronage system, which is the bane of American government and the real enemy in the New Deal's house, had made rather promising progress in the 1936 Congress. Both Republican and Democratic parties warmly endorsed the principle of extending the civil service upward. In January, the stage seemed set for swift and decisive action.

Then, on February 5, the President blanketed the entire project with his Supreme Court drive. Little more was heard of executive reorganization. The experts' report was handed over to the tender mercies of Congress, and the late Senator Joseph T. Robinson actually re-wrote the proposals in such a fashion that the civil service, instead of being extended, would have been curtailed still further.

To those in other English-speaking countries, accustomed to high civil service standards, the American system must seem incredible. Every member of Congress has at his

disposal a considerable list of jobs. First of all, Senators have a decisive hand in the appointment of the lesser federal judiciary—they help to pick judges in the vitally important circuit courts of appeal and the federal courts generally. That is a real iniquity in the judicial system to which the President might have turned his attention. All but the lower clerical employees, with a few technical expert jobs, are subject to this patronage system.

At the beginning of an Administration, especially when there has been a change of parties, there is a wholesale house-cleaning in every government department. If the Democrats have won the election, then the Republicans are thrown out, from the highest jobs down to a certain median level, and then at the lowest stratum of all. In between there is a hard-pressed group of civil service employees, of two species: the one, a number of genuine and devoted "career-men" experts, and the other, an atrophied group of plodding routine workers.

While the house-cleaning is proceeding in the departments, the offices of every Senator and Representative are besieged by hordes of job-hunters, in the flesh and by importunate correspondence. They are all constituents of the member of Congress; they insist, and of course they all voted for him and worked loyally for his election. They must be served. They demand jobs.

In 1933, the Democratic National Committee got out a volume—looking like a metropolitan telephone directory—listing all possible jobs. If you were a hungry office-seeker you could buy this book, pick out a job that looked well, get the endorsement of your Congressman, present your claims to the personnel officer of the department in question, and if your political credit was high enough you got the job.

Even high-minded young zealots who came to Washington with rolled-up sleeves, to "make America over", found it necessary to get political endorsements. And despite the immense total of jobs available in the regular

departments, despite the unprecedented additions of new agencies and alphabetical organizations, Congressmen still clamored for more jobs to meet the irresistible demands of their constituents.

One poor official—a civil servant and a good one, exempt from politics—had to engage a secretary through the political channels. He was sent a languid, gum-chewing, unbelievably blonde young person. She evidently felt that her days might be numbered, and one afternoon came into her employer's office to say sweetly: "Oh, Mr. Blank, I want you to meet my sponsor". Into the office strode a high-placed Democratic party figure; he had "sponsored" the useless blonde; and her discharge had become impossible.

This state of affairs, crippling to efficiency anywhere, was particularly dangerous in an Administration attempting the vast, uncharted tasks of the New Deal. On the other side, it must be said that many of the especially New Dealish agencies were staffed by the best people their personnel officers could hire, irrespective of patronage. Many such an agency was subsequently punished by Congress. And daily compromises were necessary. But such good work as was done was accomplished either through defiance of the patronage system or by dexterous compliance with the endorsement rule on the part of genuinely qualified workers.

Nevertheless, it became obvious to almost everyone by 1936 that no ambitious experiment in expanding government could hope to survive without civil service reform. Hence the proposals for extending the civil service before Congress last year, and hence the report in January of the reorganization experts.

Now that the Court Bill is interred, it may be possible to proceed with civil service reform. In the six months since January the drive has suffered immense setbacks, and at present civil service reform is entirely missing from the Bills in congressional committees. But a drive was started, on the very day of the Court defeat, to introduce

fresh legislation based on the "merit system". Probably it will not be enacted until next year, but success is imperative sooner or later if democracy is to function in the United States.

The second major legislative field now challengingly open to Congress is in wages and hours regulation. In the midst of the Court fight, a Bill was introduced to set up a national Labor Standards Board, with broad powers to fix minimum wages and maximum hours, and to define as unfair practices such still contemporary devices as the employment of labor spies and strike breakers. The Bill did not receive any warm endorsement from labor, it was met by wide criticism flourishing in the atmosphere of the Court fight, and it was re-drafted in emaciated form. As it now stands, the Bill simply permits the Labor Standards Board to fix minimum wages at any desired point but not above 40 cents an hour, and to establish a work week never less than 40 hours. Though greatly cut down, the measure still does not elicit strong support. Some of its supporters consider that its passage now, though a mere skeleton, will serve to set up necessary administrative machinery upon which later progress can be built.

And then there is farm legislation. Since the collapse of the A.A.A., after a Supreme Court veto, farm production has been only slightly controlled by the Soil Conservation Act, although farmers did reap generous benefit payments which were particularly helpful in last summer's drought—and in the political campaign! Secretary of Agriculture Wallace has a complicated plan—the "ever normal granary"—which is now combined with a crop insurance project, soil conservation payments, and an elaborate scheme to furnish the farmer "parity" prices. All of these highly problematical projects are rolled up in one omnibus Bill. With the continued shortness of the American export market, and the prospect of big crops this year and next, the chances of another price collapse are definite and premonitory. To avert such a collapse, the Administration

and the organized farm groups are pressing for legislation, but without the old enthusiasm. Here, too, it is urged that to set up an organizational framework will make possible improving amendments later on, and by next January the Administration would be able to meet a possibly thickening farm crisis. Legislation to curb the sweeping growth of farm tenancy—one of the gravest of American problems, with the most serious social implications, since misery, low consuming power, and high birth rates go hand in hand among the tenant farmers—is likely of passage, but in Secretary Wallace's words is "less than half a drop in the bucket".

Housing problems, another serious challenge to good social order and a stable economy in the United States, remain virtually untouched by the Administration. There is now estimated to be a shortage of around 1,000,000 family housing units, and the shortage is growing. Rise of building material prices, partly under the influence of labor troubles, has choked off a somewhat promising building boom. But the prospects of adequate housing legislation are very dim. Year after year the problem has been postponed.

The immense question of tax revision and reform is due to emerge in the next few months. Treasury experts are working on a wholesale re-drafting of our federal tax system. Surface details, such as "evasion and avoidance" by wealthy income-tax dodgers, have been aired for political purposes. Far more important for the future of good government here is the revision of the tax base downward and the simultaneous decrease of indirect taxes. Such a program of change would be intended not only to equalize the tax burden—which would likewise be achieved by tightening up at the top—but also to let the man who pays $24 a year tax on his cigarettes know that his government is costing him that much. Indirect taxes are still a prime contributor to bad citizenship in the United States, perhaps more than elsewhere, and tax reform fits

in with civil service reform as a fundamental step necessary for the foundations upon which new tasks of government can be erected.

III. The United States and the World

THE orientation of the United States on the side of the democracies in the world cleavage has become more definite than ever in the past few months. There is still an isolationist group, who believe that strict "moral neutrality" toward the European conflict is the only safe policy for the United States. On the other side are those who want American policy clearly expressed on the side of world justice and stability, not for the sake of the "have" Powers, but to perform something of the American share in keeping the peace. And also on this side are all those whose emotions and prejudices have been powerfully worked upon. Among them are the "liberals", the Jewish community, organized labor, and many others who are enlisted in a struggle—internally and externally—against "fascism".

An interesting, and largely unreported, decision between the two groups was taken on July 16. It was in the midst of the North China crisis. The State Department had been in effective consultation with Downing Street during the entire crisis, as Mr. Eden was able to announce in the House of Commons and Secretary Hull did not deny—which is something of an important event in itself, considering all the talk there used to be about the perils or importance of consultative pacts. But on July 16 Secretary Hull decided to issue a statement. Shortly before, he had asked some of his assistants to draft a text applicable to Europe and Asia alike. Some of these men, belonging to the strict neutrality group, drafted a declaration urging American opinion to remain rigidly aloof from the current conflict of ideologies.

To their considerable surprise, Secretary Hull issued

quite a different statement, not only emphasizing the sanctity of treaties and the importance of non-intervention, but also threatening that American armaments could be increased as well as decreased. His statement was entirely on the side of the democracies, following the line previously marked out by President Roosevelt's numerous speeches. So it seems clear that American policy is headed guardedly parallel to that of Great Britain, in Europe as well as in Asia. At the same time, Secretary Hull and Under-Secretary Welles have recently made occasion to emphasize American support of treaty revision when necessary, and of the right of nations to have access to raw materials and markets. These gestures to Germany, Italy, and perhaps to Japan did not go unmarked, at least in Berlin, where favorable comments were issued.

President Roosevelt's own viewpoint on the European situation was newly and crisply defined by himself the other day. It was after another crop of rumors from Europe, arising partly out of George Lansbury's Cook's Tour of the chancelleries, which urged President Roosevelt to "call a conference" or take some decisive step toward world peace.

"The European governments and peoples", Mr. Roosevelt said in substance (these words are a paraphrase, since the President may not be quoted directly from his press conference) "have the feeling of being up against a stone wall. They feel that nobody in Europe has an answer to their problems. So they look outside Europe and they look to me. They seem to think that I have a hat, and that in the hat there must be a rabbit. Alas! I have no hat, and there is no rabbit."

United States of America,
July 1937.

THE IRISH VOTER'S DECISION

I. The Debate on the Constitution

THE debate in the Dail on the draft constitution, which began on May 11 and was protracted for over a month, led to no startling changes in that document * and aroused very little general interest. The public attendance was small, and on several occasions the proceedings were suspended owing to the absence of a quorum. Although the Irish text is to be the official version, the debate was conducted almost entirely in English, because, as Mr. de Valera himself frankly admitted, the great majority of the members did not understand the Irish language and would therefore be quite incompetent to pass judgment on the text. In fact this text is clearly only a competent translation of the original English version, which was drafted by Mr. de Valera himself with expert assistance. The official pretence that Irish is the national language has in this matter reached an extreme of absurdity. It may be easily imagined what Gilbertian situations will arise when the Supreme Court, which is ignorant of Irish, has to interpret the official text.

Mr. de Valera's speech introducing the measure was largely explanatory, but he dealt at considerable length with the allegation that the new President or Head of the State would possess dictatorial powers. He pointed out that on almost every occasion, except in regard to the dissolution of Parliament and the power to order a referendum in certain circumstances, the President would act on the advice of the Prime Minister or Government. The one thing, he claimed, that shone out through all the provisions

* See The Round Table, No. 107, June 1937, pp. 588 *et seq.*

of the new constitution was that the people would be the masters. He also replied to the criticism to which he had been subjected over the clauses dealing with the position of women. He said that he had always stood for equal rights for women, and that nothing in the draft constitution detracted from the rights they now enjoyed. He promised that any amendments moved in good faith would be considered by the Government with an open mind, but added that there were certain fundamental principles for which they must fight.

In fact, the debate in committee proceeded on the usual party lines, and Mr. de Valera made very few concessions to his critics. The most important were that the name of the State in English should be Ireland and not Eire—a concession to sentiment rather than accuracy; that a President should be eligible for re-election only once; that the panels of candidates from which the vocational portion of the Senate is to be elected, and its method of election, should be settled by law instead of being fixed by the constitution; that free criticism of Government policy should be expressly permitted; that no person should be excluded from Irish nationality and citizenship by reason of sex; and that the phrasing should be amended in certain articles dealing with fundamental rights, which were alleged to be a covert attack on the equal status of women.

As finally passed, these articles declare that the State recognises that, by her life within the home, woman gives to the State a support without which the common good cannot be achieved, and that the State shall therefore endeavour to ensure that mothers shall not be obliged by economic necessity to engage in labour to the neglect of their duties in the home. They also provide that the State shall endeavour to ensure that the strength and health of workers, both men and women, and the tender age of children, shall not be abused, and that citizens shall not be forced by economic necessity to enter avocations unsuited to their sex, age, or strength. It is difficult to find fault

with these praiseworthy sentiments, and it must be confessed that most of the agitation on the subject seemed to be directed rather to discrediting Mr. de Valera with the women voters than to safeguarding their social or political rights. Moreover these fundamental rights are really only noble platitudes, because they are expressly declared to be not cognisable by the Courts and to be merely principles of social policy laid down for the general guidance of Parliament. Indeed, when a practical proposal was made by Mr. Frank MacDermot that every head of a family should have two votes, as a recognition of the patriarchal structure of Irish rural life and a natural corollary of the declaration in the constitution that the State recognises the family as the fundamental unit of society and as a moral institution possessing inalienable and imprescriptible rights, Mr. de Valera, although admitting its merits, refused to consider it, on the ground that it would cause a great deal of controversy. There can be little doubt that the premature granting of adult franchise has been responsible for many of our political misfortunes; whilst no one is foolish enough to believe that this can now be undone, more weight might well be given to responsibility and experience without any derogation from democratic principles.

During the debate Mr. de Valera explained that his aim was to put our external relations outside the constitution and to treat them as a matter of foreign policy to be determined from time to time as the people decided. The law could exactly prescribe those relations, and, as such a law had already been passed, the constitution would make no change in the existing position. Speaking in the debate on external affairs in the Dail on May 19, he claimed that the central aim of his policy was to arrive at a foundation on which good relations between Great Britain and Ireland could be permanently based, a consummation that was possible only on a basis of fair play and justice. He was perfectly certain, he added, that the new constitution would mean a tremendous advance towards laying such a

foundation. But he also made it clear that he could not consider any final settlement of the existing dispute unless we were permitted to retain the land annuities, the British garrisons were withdrawn from the occupied Free State ports, and the partition of Ireland was ended. In return for this complete satisfaction of our claims, he indicated that his Government would be prepared to guarantee our neutrality and to prevent any other Power from using Ireland as a base for an attack on Great Britain.

Mr. Frank MacDermot, however, whose valuable contributions to the debate on the constitution make his retirement from the Dail all the more regrettable, moved the rejection of the draft constitution on the grounds that it offered no basis for union with the North and contained provisions tending to prolong partition. He aptly pointed out that partition can be cured only when we attain some unity of thought, heart, and mind, and are able to gather up our conflicting traditions and aspirations and fuse them into one national life. We ought to remember, he said, not only the heroic struggle of our fathers to regain national independence, to which the preamble of the constitution referred, but also the guarantee of the preservation of that independence that was given by full membership of the British Commonwealth, the share our forefathers had taken in its development, and the place our kith and kin had to-day in guarding its destiny. It was we, he said, who sought unity, and on us lay the burden of showing vision, kindliness, and courage.

During the committee stage, he moved to insert a new article to the effect that the Irish nation declared its free and equal membership of the British Commonwealth of Nations as a sovereign State, and, so long as such membership continued, recognised King George VI and his successors as Monarchs of Ireland. Mr. Cosgrave and eight other members of his party, who were present in the House, took no part in the discussion and did not vote. Mr. de Valera refused to accept the amendment on the

ground that our relations with Great Britain were a matter of controversy which should be kept outside the constitution and altered by Act of Parliament as the people thought fit. The amendment was defeated by 56 votes to 3. In a statement subsequently published Mr. Cosgrave explained that his party could not vote for the amendment because it endeavoured to introduce an entirely new principle, which was contrary to the constitutional position achieved through the Treaty and to the accepted principles and practice governing the relations of the Crown to the various members of the British Commonwealth.

In the concluding debate on June 14 Mr. Cosgrave, who had taken practically no part in the previous discussion in committee, said that the draft constitution was the work of one man, conceived and introduced in response to no insistent demand from the people and received generally with indifference. It endangered freedom of speech, the right of public meeting, and the equality of the sexes. The people, he claimed, had been given neither the time nor the opportunity to exercise a wise judgment upon it, and in the circumstances he proposed to vote against it and to state that he could not advise any citizen to vote for it on the referendum.

Mr. de Valera, in reply, claimed that the only limitations in the constitution on the rights of the individual were designed to prevent those rights from conflicting with the rights of the community, and that it contained no barrier to the activity of any future party, no matter what its internal or external policy might be. The constitution would enable all parties to come together and resolve their differences without violence. We could not, he said, go further than we had gone in this constitution to meet the views of those in the North without sacrificing, to an extent to which we were not prepared to go, the legitimate views and opinions of the vast majority of our people. There was behind it, he claimed, the possibility of uniting the Irish nation as it had not been united for fifteen years,

and he appealed to everyone who wished to see the nation advance to support it regardless of party considerations. The final approval of the draft was carried by 62 votes to 48.

The Opposition had more scope for legitimate criticism in the discussion on the Government's proposal to pay Mr. Donal Buckley, the late Governor-General, a lump sum of £2,000 and a pension of £500 a year. Mr. Buckley, who was legally entitled to a salary of £10,000 per annum for effacing himself, in fact received only £2,000; but it was on this basis that he accepted the position, and it is difficult to see any justification for the proposed gratuity and pension except as a reward for political services in a non-political office. Mr. Norton, the Labour leader, did not hesitate to remind Mr. de Valera of his previous statement that a thousand pounds per annum was a sufficient salary for any Minister or official in the Free State. The Government, and presumably Mr. de Valera, have nevertheless learnt by experience, and one of their last acts before the dissolution was to appoint a committee to recommend what salaries should be paid in future to the Ministers and other functionaries provided for in the new constitution.

II. The Election Campaign

THE Dail was dissolved on June 14, in accordance with the new procedure, by a proclamation signed by its Chairman, and the election was fixed for July 1. The campaign that followed was the shortest and most peaceful that has taken place since the Free State was established. The fact that the various party funds were not in a flourishing condition was no doubt responsible for its brevity.

Mr. de Valera, speaking in Dublin on June 16, said that the new constitution placed no bounds to the march of the nation; no one who loved Ireland could hesitate about voting for it. Referring to the suggestion that he was to be the first President of the State, he said that if his will

was to be the determining factor, and if he was given a majority, he would remain where he was, doing the sort of work he had been doing for the last five years. There was a great deal of work to be done and he did not think he had any right to leave the front-line trenches. He declared that the chief political task of the next five years, no matter what form it might take or how it might be effected, would be to restore the unity of Ireland. He believed that the new constitution could form the basis of that reunion, which, if he were returned, he would make his principal aim. In other speeches he said that the fate of the constitution in the plebiscite did not carry with it the fate of the Government, and he wished it to be regarded as something apart from and above political parties. The bigger the vote for it the more stable would be the political life of the country. Dealing with the agricultural policy of the Government, he claimed that the fall in prices had been due, not to the dispute with Great Britain, but to the general world depression, and that rising prices now heralded a period of prosperity. On several occasions he asked the people to give him a strong majority in order that the Government could carry out their policy without interference.

Mr. Cosgrave, who also made a tour of the country, claimed that the choice before the people was between re-electing the present Government, with its policy of high prices, low wages, crushing taxation and the ruin of our agricultural industry, and replacing it by a Government with a sound constructive policy for the rebuilding of national prosperity. He pointed out that the value of our agricultural production had fallen between 1931 and 1935 from £64,000,000 to £40,000,000, and concluded that the only feasible and constructive remedy was a satisfactory settlement of the economic dispute with Great Britain. A settlement was in the interest of both countries and could be reached given good will on both sides. It would have to be accompanied by assistance to repair the injuries

inflicted on agriculture, and by economies in expenditure. The new constitution, he said, was merely an election slogan and would not solve our problems. The issue in the election was not words or formulas or constitutions, but whether or not the powers that the Irish people had won for themselves were to be used by an Irish Government to enable the people to avail themselves of every opportunity of industrial progress and agricultural prosperity, and to earn their livelihood in their own land. The present Government shouted out the battle-cry of freedom at home but, by making coal-cattle pacts, surrendered in London. There was now, he said, no politician so foolish as to assert that we could consume at home all our agricultural produce.

The Labour leaders, while advocating an advanced programme of social legislation and criticising the two bigger parties, made it clear that they intended to follow an independent line in the new Parliament. Their campaign received considerable impetus from the existence of several strikes and labour disputes in the country. The propaganda of all the parties was extremely poor.

The extreme republican element put forward no candidates and contented themselves with making various declarations which only revealed their own dissensions and their detestation of Mr. de Valera's constitution. A statement issued on May 24 by the surviving members of the second Dail, who apparently regard themselves as the sole guardians of the pure republican faith, if not the *de jure* Government of the country, declared that for the first time in Irish history the people of twenty-six counties were being asked to kill and bury the Republic under an avalanche of votes. That was the most sinister, although the least apparent, aspect of the new "Free State" constitution. It did not break the connection with England, it declared the government and army of the Republic illegal, continued the humiliating position that Irish citizens abroad were recognised only as subjects of the King of England,

denied the right of equal opportunities to all citizens, and was a subversion of the Republic of Ireland. One extreme republican, Mr. Frank Ryan, lately returned from fighting on the Government side in the Spanish civil war, did venture to offer himself as a candidate in one of the Dublin constituencies, and his overwhelming defeat at the polls is perhaps the best revelation of the popular attitude towards this disgruntled and discredited faction.

The only sensational event in the election was the publication, first in the *Poblacht*, the extreme republican organ, and then in the *Irish Press*, Mr. de Valera's journal, under the heading "Cosgrave Letter Bombshell", of a personal letter written to Mr. Cosgrave by Sir W. Haldane Porter, one of the directors of Guinness and Co., concerning the action of Mr. Cosgrave's party in abstaining from voting for Mr. MacDermot's amendment to the constitution, proclaiming the adhesion of the Free State to Commonwealth membership. In this letter Sir Haldane declared that he was forced to the conclusion that as regards the attitude of the Free State towards the Commonwealth there was really no difference between Mr. Cosgrave's policy and Mr. de Valera's. He added that Mr. Cosgrave's argument about the Crown seemed to be an attempt to turn it into a sort of abstraction which could be separated at will from the person of the King—a sheer impossibility. Discussing the attitude of the British Government to the new constitution, he said that, although in the present condition of Europe they would probably do nothing to precipitate a controversy with the Free State, it was unfortunately true that the British public no longer took any interest in Irish affairs.

Mr. Cosgrave complained that the publication of this letter, which was marked "Personal" and addressed to him by mistake at "Government Buildings, Dublin", was a breach of the ordinary rules of public decency. Mr. de Valera replied by denying any suggestion that the Government was in some way responsible for tampering

with this letter. He also offered to have the matter investigated and to punish anyone who might be found responsible. It may be doubted, however, whether this incident affected any votes.

The return of General O'Duffy's battalion, miscalled a brigade, from Spain on June 21 passed almost unnoticed amid the election excitement. On landing in Dublin they were carefully searched for arms, much to the gallant General's annoyance. They would not, he said, take any part in the election. The total casualties of the force in Spain are given as seven killed and 150 wounded, but many more suffered from illness due to unfamiliar food and bad water. The principal casualties were suffered, ironically enough, from an attack made upon them by mistake by some of General Franco's troops, who naturally did not recognise the special uniform in which, by General O'Duffy's orders, the Irish "Brigade" were attired. The reason given for the ignominious termination of this foolish adventure, which it may be hoped will also terminate the public activities of General O'Duffy, was that owing to the opposition of the Irish Government fresh recruits could not be obtained to keep up to strength a force that was constantly being depleted by sickness; but the lack of efficient officers and ignorance of the Spanish situation were evidently contributory causes. It may be surmised that General Franco, who will have to foot the bill, is not likely to forget General O'Duffy's assistance.

III. The Election Result

THE result of the election, if not actually a defeat, undoubtedly constituted a serious setback for Mr. de Valera's Government, and seems to indicate that he has passed the zenith of his power. In order to understand its full implications, one must remember that through the abolition of the six university seats, four of which were held by the Opposition, the alteration of the boundaries of

many constituencies, the reduction of the Dail membershp from 153 to 138, and the creation of fifteen three-member constituencies in which the proportional representation system could not properly function, his party began the election with a substantial advantage over their opponents.

After the general election in 1933 the strength of the parties was as follows: Fianna Fail (de Valera party) 77, Fine Gael (Cosgrave party) 59, Labour 8, and Independents 9, giving Fianna Fail a majority of one over all the other parties combined. At the dissolution there were three vacant seats, and as the result of several by-elections the strength of the various parties then was: Fianna Fail 78 (including the Speaker), Fine Gael 52, Labour 8, and Independents 12. The Fianna Fail party (excluding the Speaker) had therefore a clear majority of five over all other parties. Under a system of proportional representation, where small majorities are the rule and not the exception, this was a completely secure position. Following the election, the ninth Dail of 138 members will consist of Fianna Fail 69, Fine Gael 48, Labour 13, Independents 8. In other words, Mr. de Valera's party, in spite of its electoral advantages, now constitutes only half the new Dail. It has undoubtedly lost ground, and is in exactly the same position as it held after the general election of 1932, when it first took office with the support of the Labour party, an uneasy alliance that forced Mr. de Valera to go to the country again within a year.

Compared with the position at the dissolution, Fianna Fail has lost 9 seats, Fine Gael 4, and the Independents 4, while Labour has gained 5. The total first preference votes, which are the best indication of party strength in an election under the P.R. system, show that the total Fianna Fail vote has decreased by 89,519, whilst that of the other parties combined has increased by 28,077. The total majority of the other parties' first preference votes over those cast for Fianna Fail was 125,879. Fianna Fail received only 45·2 per cent. of the votes, and its poll

represented only 33·2 per cent., or roughly one-third, of the electorate. The manner in which the revision of the constituencies helped the Fianna Fail party is proved by the fact that whilst they secured a seat for every 8,816 valid votes the other parties taken together required 12,083 valid votes for each seat won. The Independent candidates, who should have secured 13 seats in proportion to the number of votes they obtained, suffered most from this gerrymandering.

The real surprise of the election was the success of the Labour party, which nominated 23 candidates and secured the return of 13. It is now in a position of strength such as it has not enjoyed since 1927, when it held 22 seats. Its first preference votes in this election amounted to 135,758, compared with 79,224 in 1933. This increase would seem to indicate that the working class have had enough of flag-waving and fruitless external quarrels, and want Mr. de Valera to realise that they are more anxious for the solution of social and economic problems, but it is unfortunately doubtful whether the Labour party as at present constituted has enough ability and courage to drive this home. The results also show that Mr. de Valera still draws most of his support from the impoverished counties on our western seaboard, where his policy of grants, relief works and doles has been most beneficial, and where the people are most out of touch with outside influence and lacking in political experience.

Two of Mr. Cosgrave's principal lieutenants, General Richard Mulcahy and Mr. Desmond Fitzgerald, were unseated in the election. General Mulcahy, who was Chief of Staff in the I.R.A. during the Anglo-Irish struggle, Commander-in-Chief of the Government forces during the civil war, Minister for Defence and later Minister for Local Government in the Cosgrave Government, was one of the most industrious and competent members of the Dail. The egregious Mr. Belton,* the leader of the Christian

* See THE ROUND TABLE, No. 107, June, 1937, p. 594.

Front, and one of the loudest advocates of intervention in Spain, was also obliterated mercifully.

The results of the plebiscite on the constitution were more decisive than the election results. Of the 1,329,246 votes polled out of a total electorate of 1,771,147, there were cast 686,105 for the constitution and 526,945 against, showing a majority of 158,160 for the constitution. The spoiled votes numbered 116,196. The reason for the large number of spoiled votes was that every person who voted at the general election was also given a ballot paper for the constitution plebiscite, and many who found it impossible to approve or disapprove of the constitution without serious qualifications, or who regarded it with complete indifference, returned blank papers. Even if all the invalid votes had been cast against it, however, there would still have been a majority in its favour, though only a small one. The number voting for the constitution exceeded by 86,581 the total number of first preference votes given to Fianna Fail candidates. This proves, of course, that a large number of people, who dislike Mr. de Valera's general policy, were prepared to vote for the constitution in the hope that it would lead to greater political stability, or at least would be an improvement on the present constitutional position, under which the country's fate is at the mercy of a majority of one vote in the Dail without checks or safeguards of any kind. On the other hand, it is clear that if a vote had been taken of the whole country, including Northern Ireland, which the constitution claims as portion of the natural area of the new State, the constitution would have been decisively rejected.

The plebiscite also proves that the extreme republican element have become a negligible force in Irish politics and that the overwhelming majority of the people are satisfied to remain in association with the British Commonwealth, even if that association be described as "external" in order to justify Mr. de Valera's attitude to the Treaty in 1922.

The Fianna Fail orators were in fact careful to keep the republican issue well in the background during the election campaign, and Mr. Sean MacEntee, the Minister for Finance, speaking in Dublin on July 15, after the result was known, said that it was essential that good relations should be established with Great Britain. Responsibility is a great teacher.

Having been approved by the people the draft constitution, as amended by the Dail, will come into operation on December 29 next or such earlier day as the new Dail may resolve. In a statement issued on July 7, immediately after the election result was known, Mr. de Valera said that the enactment of the constitution by the people must be a source of joy to everyone who had been working in the cause of Irish independence. It marked an epoch in our national history. As regards the new Government, he said that if Fianna Fail assumed the responsibility of government it would do so on the clear understanding that it meant to pursue its own policy and none other. It would not be diverted either to the Right or to the Left by any form of political pressure.

Mr. Cosgrave, on the other hand, pointed out that, although the Fianna Fail party had entered the election with three great advantages, namely, the large sums spent by the Government on public works, social legislation, and pensions, the re-arrangement of the constituencies already referred to, and a full party war chest, they had nevertheless failed to secure a majority of the votes cast. The indefinite depression of the people's standard of living, and growing emigration, he said, were clear signs of a steady national economic decline. To avert that decline, vigorous measures were necessary to restore our main natural industry, agriculture. The election showed that the people were beginning to realise this. When they acted on that realisation the country would resume the progress it was making before Fianna Fail threw away the substance of progress for the folly of believing that what they wanted

to be true was true, instead of working for the achievement of objectives capable of achievement.

The Labour party, in a statement issued on July 9, after pointing out that they were the only party that had increased its representation in the election, promised to pursue a completely independent policy. They would, they said, support every proposal that had for its object the strengthening of the national status of the country and the raising of the standard of living, and would oppose any policy to the contrary. After references to the serious emigration, to unemployment, and to the "condition of chronic misery among large sections of our people", they said that in the new Dail the Labour party would strive to concentrate on those grave evils and to assist in their speedy eradication. They also proclaimed their opposition to those articles in the new constitution which they claimed were calculated to give undue, and possibly dictatorial, powers to the new President, or which made it possible for the legislature to curb the effectiveness of the trade unions. Mr. William Norton, T.D., who had been re-elected leader of the party, repeated and amplified this declaration in a speech at Kildare on the same day.

It is obvious that the only way in which Mr. de Valera can avoid some kind of working arrangement, if not a complete alliance, with the Labour party, and thus secure a strong Government, is through the establishment of a *modus vivendi* with Mr. Cosgrave's party on the basis of loyally working the new constitution coupled with a sincere attempt to settle the economic dispute with Great Britain. This course was strongly advocated on July 8 in a remarkable editorial article in the *Irish Times*, which is the organ of intelligent and patriotic conservative opinion. Unfortunately the personal and political animosities that are the inheritance of the civil war, together with Mr. de Valera's stubborn mentality, make such a solution virtually impossible. The only real way out would seem to be through the virtual elimination of the leaders of the two principal

parties; this could be achieved if Mr. de Valera were elected unanimously to the new office of President of the State and if Mr. Cosgrave were prepared to serve under his successor as Prime Minister in a coalition Government. The establishment of such a National Government, prepared loyally to work the new constitution and accepting as the basis of its external policy the undoubted fact that no two countries are more closely allied by real, common and complementary interests than are Great Britain and Ireland, would be an act of the highest statesmanship, and would undoubtedly translate into action the true verdict of the people at the election. Unfortunately such an eventuality is not probable.

It would certainly have been much better for both Ireland and England if Mr. de Valera had obtained a decisive majority that would have placed squarely on his shoulders the responsibility for the continuance of the stupid quarrel between the two countries. If this had happened it is quite probable that he would have endeavoured to settle the dispute, in a characteristically elusive *fashion, by an agreement to pay the sum in dispute, now* levied in penal duties by Great Britain to meet the land annuities, as a contribution towards the joint defence of Great Britain and Ireland. He may even yet attempt to arrive at a settlement on some such basis.

Under present conditions, however, failing an agreement with Mr. Cosgrave, he must compromise with and consider first the internal claims of the Labour party, which has unfortunately no considered policy towards Great Britain, nor apparently sufficient intelligence and courage to formulate one. Mr. Davin, one of the more independent Labour members, has recently suggested, it is true, that there should be a private conference of representatives of the three principal parties to seek agreement upon the best means of settling the Anglo-Irish dispute; although Mr. de Valera is not likely to agree to such a proposal, it indicates that the Labour party is anxious for

peace. The present political situation, however, does not seem likely to produce decisive results, nor is it probable that it will be speedily ended; for Mr. de Valera will not be inclined to risk another appeal to the electorate at an early date. He will probably remain in office, trusting to the chance of a few by-elections to release him from his present predicament and enable his Government to continue for its full term. In the meantime he must perforce be polite to Mr. Norton and hope for the best.

IV. The New Dail

THE ninth Dail met for the first time on July 21 and re-elected Mr. de Valera to the position of President of the Executive Council, or Prime Minister, by 82 votes to 52, the largest majority he has so far received on election to that office. His re-election was supported by the thirteen members of the Labour party and by two new Independent members, Dr. Hannigan and Mr. James Larkin, the famous labour leader, who is not a member of the official Labour party. On behalf of the Opposition Mr. Cosgrave opposed Mr. de Valera's re-election on the now familiar grounds that the Government had disregarded the hardships inflicted on the people by the high cost of living, had obstinately refused to settle the dispute with Great Britain, and were over-represented in the Dail. He said that any party or parties pledged to find an enduring and satisfactory solution of these problems would receive his party's whole-hearted support and co-operation, but that there was no indication that the Dail could secure such a pledge from a Government formed by Mr. de Valera. Mr. Norton, on behalf of the Labour party, supporting Mr. de Valera's re-election, said that his party's position was no different from what it had been in 1932. They would welcome a just and honourable settlement of the economic war, but would oppose a dictated

settlement or one that was not fair and honourable from the standpoint of the Irish nation.

After his election Mr. de Valera announced the personnel of his Government, which was the same as that of his last. The only notable speech during the proceedings was made by Mr. J. J. Cole, an Independent farmer member from Cavan, who refused to vote and appealed to Mr. de Valera and Mr. Cosgrave to forget past differences and enmities and see if it was not possible to form a coalition Government. He asked them to realise that Ireland is greater than any party and that her welfare ought to take precedence over all party advantage. This appeal, however, fell on deaf ears, and so the old familiar tunes will be played again in the new Dail. It has now adjourned until October 6, after giving a first reading to several Bills, including measures to make provision for the election of the new President of the State and of that portion of the Senate which under the new constitution is to be elected by the universities and vocational bodies. Reflecting on the results of the election, a cynic might say that being faced with a choice of two evils we had chosen both. But we must not forget that out of evil sometimes cometh good, and that, as Burke reminds us, experience is the school of mankind, and they will learn at no other.

The Irish Free State,
August 1937.

AN INDIAN MILESTONE

I. The End of the Crisis

THE constitutional crisis in India ended on July 7, when the Congress Working Committee, meeting at Wardha, authorised Congress members to accept ministerial office " where they may be invited thereto ". The decision, which was received with genuine satisfaction throughout the country, was recognised as a triumph for moderate forces, and completely altered the political outlook. A political party which, a few years ago, had been declared an unlawful body thus found itself in positions of power in six of the eleven provinces of British India. A few days after the decision was announced, Congress Ministries were formed and are now functioning. This development introduces an entirely new policy on the part of the Indian National Congress; although the future is not likely to be free from serious difficulties, the acceptance of constitutionalism by the party is a political advance of extraordinary significance.

The Wardha resolution indicated that official interpretations of the working of the new constitution that had been given during the crisis had not met the Congress demand for an assurance from Governors, although they had exhibited a desire to make an approach to the Congress case. The Working Committee, however, had also to consider the views of elected Congressmen and of the party generally. It came to the conclusion that office should be accepted for the purpose of working in accordance with the party's election manifesto and of furthering in every possible way the Congress policy of " combating the new Act on the one hand and prosecuting the constructive programme on the other ". Opinion favourable

to the party's assumption of responsibility had undoubtedly been influenced by the successive statements made by Lord Zetland, Mr. Butler, Lord Lothian, the various provincial Governors, and finally by Lord Linlithgow, whose message to India was generally regarded as the turning point in the controversy. Indian opinion definitely veered round in favour of office acceptance after the Viceroy's statement was issued, some important political leaders and newspapers saying frankly that the Viceroy had made it possible for Congress to assume office with honour.

Mr. Gandhi is generally regarded as having been responsible for the actual decision. Before the Wardha conference opened, private discussions took place between the Mahatma and Pandit Jawaharlal Nehru, the Congress President, who has never obscured his opposition to office acceptance. These preliminary discussions apparently convinced Pandit Nehru that the logical line for the party was to assume responsibility; and the opposing view appeared to receive little support in the Committee. The *resolution embodying the decision was carried unanimously*, and was heralded with jubilation in the press, Congress as well as non-Congress. As the nationalist *Tribune* of Lahore remarked,

> For the first time in their history the majority of the Provinces in India are going to be under a national democratic government in the modern sense, and for the first time in their history the Congress will cease to be His Majesty's permanent opposition.

The realities of constitutionalism were accepted nearly everywhere, and there was general appreciation of the opportunities now lying ahead of the Congress party in the fields of social and economic reform.

II. The Viceroy's Intervention

THE crisis had existed for nearly three months before Lord Linlithgow intervened. During that period various statements were made, on the Congress side chiefly

by Mr. Gandhi, and on the Government side chiefly by Lord Zetland and the provincial Governors. These successive declarations tended to lessen the existing differences, and Mr. Gandhi undoubtedly played a large part in bringing the problem to a position in which it could be solved. By a process of elucidation the issue was transformed from a demand that the Governors would never use their special powers to a request that they should dismiss their Ministers when they were unable to follow the latter's advice. It was at this stage that the Viceroy issued a message to India. For several weeks his silence had been severely criticised in the Congress press, but it became clear by the time Lord Linlithgow spoke that many of the difficulties had been removed. Earlier intervention on his part might have done little to ease the situation and possibly much to complicate it.

The Viceroy's message to the country assembled all the relevant arguments that had been expounded on both sides, analysed the Congress demand for the automatic dismissal of Ministers in preference to their voluntary resignation, and indicated the constitutional procedure that would be followed by Governors when in disagreement with their Ministers. The Viceroy naturally was unable to say much that was new, but he gave authority to what had already been said. While he indicated that the right to dismiss and the right to resign should remain unfettered, he conceded that in certain circumstances it might be incumbent on Governors to dismiss their Ministers. This practically met the Congress case, although no assurance of the kind originally sought was given. The Viceroy made it clear that the Governors' reserve powers were essentially emergency powers and gave no authority for gratuitous interference in day-to-day administration. He emphasised that parties in power, no matter what their political allegiances might be, could depend upon the most cordial co-operation and collaboration from the Governors and the services generally.

It was the spirit of the speech rather than the matter that captured public opinion and set the tide flowing in favour of acceptance of office. It was quickly recognised by Indians that, although the Viceroy had not given the Congress the assurance that had been desired, he had interpreted constitutional procedure in such a way that an assurance was no longer essential. Nationalist newspapers as far apart as Lahore, Madras and Calcutta urged the Congress to assume responsibility. The Viceroy's message was subjected to a searching analysis and in some quarters was strongly condemned, although nearly all sections of the press recognised the sincerity underlying its interpretations. Mr. Gandhi and the upper hierarchy of the Congress party declined to discuss the statement, pending the meeting of the Working Committee, and by the time that body was in session public opinion was definitely in favour of office acceptance.

The position had changed materially since the Committee's previous meeting at Allahabad in April, and differed completely from the circumstances that surrounded the party when the demand for an assurance was framed at Delhi in March. In Delhi, the party had just come from the polls, flushed with an electoral victory that had surprised many, including Congressmen themselves. For nearly 20 years the party had been in opposition, frequently in open conflict with the authorities. Distrust of British intentions ran deep; the demand for an assurance indicated the depth of the distrust. The party had never favoured the new constitution and was, indeed, pledged to "combat the Act" with a view to ending it. Straightforward acceptance of office did not imply "combating the Act", much less ending it, and as Congressmen had always contended that real provincial power was enshrined in the safeguards it was natural that they should seek some assurance regarding their use. Many misconceptions underlay their original demand, and the subsequent controversy has done much to clear them away. The Act of 1935 has

been subjected to a critical analysis which has been informative and valuable both to Indians and to British officials in India. This was emphasised particularly in a statement made by Sir Maurice Hallett, Governor of Bihar, whose elucidation of the relations between Governors and Ministers did more than almost any other single statement to convince Congress of the genuineness of British intentions. The Viceroy's statement set an authoritative seal on all the previous pronouncements, and Congress leaders set about the formation of their Cabinets convinced that, if in the letter they had failed to secure the assurance they sought, they had at any rate achieved something in having the purposes of the Act explained in a manner that should greatly assist its successful operation.

III. Reasons for the Change

VARIOUS factors contributed to the Congress decision to accept office. There was a growing weariness with the public controversy, and even Congress politicians and newspapers began to see the uselessness of pursuing constitutional discussion to further lengths. The *Hindu*, of Madras, after supporting the Congress case for several weeks, advised the party

> not to waste its time in trying to evoke a manifestation of good will, but resolve upon taking office, confident that, assurances or no assurances, it can do substantial service to the people from that vantage point.

There was an increasing recognition among Indians that the minority Ministries, with all their patent weaknesses, were achieving something; while all believed that these Ministries must in the nature of things be short-lived, what they were accomplishing was undermining the Congress claim that they could accomplish nothing.

It became clear that the minority Ministries, as well as those where majority elements were in control, were obtaining the friendliest co-operation of their Governors

and that the constitution was being harmoniously worked. There was bitter opposition to the minority Ministries in the nationalist press, which realised that they had to a large extent counteracted the policy that the Congress had in view when the demand for an assurance was made. In those provinces where majority Ministries were functioning the value of the Act was even more distinctly proved. In Bengal, the Chief Minister had taken steps to release, by degrees, some of the political prisoners, and in the Punjab the Ministry released prisoners convicted under the Martial Law of 1919. These actions won general approval, and convinced many people that Indian power under the Act was real. Leaders of most of the minority Ministries also made it clear that they were unfettered by official interference, the Premier of Bihar remarking that

> the Governor, far from interfering in any action of the Ministry, has always been willing to accord all co-operation and to help us. We have been receiving loyal and sincere co-operation from the permanent officials.

Various Congress leaders urged the need for a settlement, and the way to that objective was made easy by Mr. Gandhi's final interpretation of the Congress case, in which he indicated that the issue had been narrowed to a single point—that the Governors should dismiss their Ministers when in "serious disagreement" with them, rather than expect the Ministers to resign. The extremer elements considered this to be a surrender on the part of the Congress, but more moderate opinion recognised the new interpretation as a logical fulfilment of the Congress demand for an assurance, which was largely intended to secure official recognition of the status of the Congress in Indian politics. The Viceroy definitely responded to Mr. Gandhi's overtures, by recognising that his contributions to the controversy had been helpful, and by analysing the Congress case in its later form and proving that interference by Governors was a contingency none

desired to see converted into reality. The sincerity and earnestness underlying the Viceroy's appeal found a ready response from Indians.

IV. The Congress in Office

THE unconditional acceptance of office does not necessarily imply that smooth times lie ahead. The Congress assumes responsibility with a dual purpose. The party's election manifesto, and later pronouncements, show that a political campaign will accompany its legislative activities. The political campaign is designed to " combat the Act with a view to ending it ", and will be fostered both inside and outside the Legislatures. Pandit Nehru has indicated that it is not to work the constitution in a normal way that the party has assumed office. It is not clear, however, how the party can destroy the Act by working its provincial sections, unless deadlocks are deliberately created. No better deadlock for combating the Act could have been devised than the one the party created in its demand for an assurance from the Governors, and the logical inference is that in discarding that position the party will work the Act reasonably. Outside the Legislatures it intends to develop its hold upon the masses, presumably in preparation for a further trial of strength with the British Government, when " sanctions " have been forged that will put the party in a stronger position than it is in to-day. Even the Congress press admits that the party is not ready for civil disobedience; nor is the country willing to countenance such a policy at present. It is pointed out, however, in various quarters that civil disobedience as a political weapon has never been discarded and may at any time be employed again.

The country as a whole inclines to the view that in taking office the Congress is fired by the ideals of service to the people. The party outlined an advanced programme, which many of the electors wish to see implemented.

That programme may create difficulties, particularly in the United Provinces, where the agrarian policy of the party aims at fundamental readjustments in land revenue and rents. But in many other respects the social and economic policies to which the party is pledged may be carried out under the Act, and there is every reason to believe that the party will conscientiously work for improving the lot of the peasants and bringing about realignments in the social scheme of things in India. It is admitted that the party lacks outstanding provincial talent, although in one or two provinces some of the principal Congress leaders are assuming control. A greater weakness is the absence of any administrative experience, which doubtless accounts for the desire of the upper hierarchy to retain some definite control over policy in all provinces where Congressmen are Ministers. The idea is encouraged that the provinces should be administered under an all-India policy, but this is certain to come into conflict with provincial conditions, which vary everywhere. It will be difficult for Congress Ministries in Madras to follow lines exactly similar to those found suitable for Bihar, and the belief is expressed that the new provincial Ministers must inevitably adopt policies appropriate to their particular provinces. This implies that it will only be in the party's political, or extra-legislative, activities that all-India unity will be retained.

The Congress leaders will have to decide whether they intend to wreck the constitution and return to the political wilderness, or to work the Act in order to prove that its limitations are such as to prevent the expression of Indian aspirations. One of the most significant statements in the Viceroy's message, and one that has been widely overlooked, was Lord Linlithgow's contention that politics, by their very nature, are ever dynamic; to imagine that their expression in terms of a written constitution can render them static, he said, is to disregard the lessons of history and the dictates of common sense. In this light there is every reason to believe that the Congress party,

like all other parties, will find ample scope and opportunity for service within the constitution.

V. The Masses and the Minorities

THE Working Committee's resolution contained some significant assertions which have a direct bearing on the whole question of Indo-British relations. It stated that the committee was unable to subscribe to the doctrine of partnership propounded in official interpretations of the Act. It claimed that a proper description of the relations between the British Government and the Indian people was that of exploiter and exploited, which implied that representatives of the two peoples held an entirely different outlook upon almost everything of vital importance. This belief is one of the root causes of Indian discontent with the reforms and is largely based on Indian distrust of British intentions under the Act. The elimination of this distrust is essential to the successful working of the reforms.

On the British side efforts should be made to prove that the Act does in fact completely alter the constitutional relations that obtained before April 1, and that bureaucracy has been superseded by responsibility, restricted only in a very limited sphere. Lord Zetland and others have proved conclusively that parliamentary intervention in provincial affairs has been greatly circumscribed by the Act, but there is a strong body of Indian opinion which inclines to the view that officials in India are too " set " in their attitude and too hostile to the Congress to reorientate their policy towards the party. On the Indian side there is need for a more appreciative understanding of the Act and its implications. Proof of the changed relations will emerge only after the Act has been working for some time, but if the spirit of partnership is lacking in its working little success will be achieved. Much of Congress distrust is unjustified and derives more from past experience than from any

genuine appreciation of the changed relations that the Act implies.

The best proof that the Act of 1935 marks a great constitutional advance on its predecessor may be gauged from the decision of the Congress to assume responsibility. It is emphasised by the growing belief among Indians that opportunities are now available for the Congress to bring some of its economic and political theories into effect. Much has been made, in some obstructionist quarters, of the fact that the electorate, however expanded, represents the enfranchisement of only about 10 per cent., of the population, and that the great mass of the people still lacks the vote. But, as the Simon Report indicated, the masses are greatly affected by political movements, and particularly by those leaders who are willing to concern themselves with the welfare of the peasants. Although Congress claims to speak for the masses, it is largely a self-appointed spokesman, deriving no direct authority from the vote-less population. That is why Pandit Nehru is so keen to broaden the political basis of the organisation by including the peasants within its fold, and to expand its nationalist basis by bringing in the Moslems. There is no doubt whatever that the Congress is genuinely interested in bettering the lot of the poor; but until the masses, and particularly the vast minorities, are ready to accept the Congress leadership from choice, the party has no authentic justification for the claim that it represents all Indian interests.

To constitutional purists one of the distressing features of the Act is the protection it affords to special interests and minorities, chiefly at their own request. These safeguards are anathema to Congressmen, whose theorisings about freedom and liberty sometimes obscure the realities of Indian conditions. In effect, the removal of distrust between Indians is as important, if not more important, than the removal of Congress distrust of British intentions. The political disunity in this country makes it obvious that

the British Parliament in framing the Act was circumscribed by prevailing conditions, and that British obligations will remain until the politically-minded elements in India resolve themselves into some form of cohesion.

Pandit Nehru has appreciated this and has inaugurated a campaign to convert the Moslems to the Congress political philosophy. He claims that the Congress failure to secure greater electoral support from the Moslems was entirely due to lack of Congress organisation within the Moslem community. He contends that the younger Moslems are anxious to discard the communal thinking of their forbears and are willing to affiliate themselves with a nationalist organisation like the Congress. He is fully aware that until the two main communities are working in political harness the cause of nationalism will be stultified.

All will agree that a united India is a desirable goal, and many will argue that its achievement will mark the beginning of the end of British sovereignty. But underlying most Indian opinion is a strong faith in the value of the British connection, and there is no evidence that India will cut adrift from the British Commonwealth of Nations, even if the fullest measure of national independence is obtained. The political relations between the two countries have been marred in recent years by contrasting economic interests, although Indians tend to exaggerate the conflict by implying political motives where frequently none exists. Indians recognise only too well that British political institutions are much more liberal than those of most other nationalities; and their intense hostility to the activities of some totalitarian States suggests that a fruitful partnership between the British Commonwealth and the Indian people will long endure.

India,
July 22, 1937.

GREAT BRITAIN

I. The New Government

ON May 28 Mr. Stanley Baldwin resigned the office of Prime Minister, which he had held for three periods totalling over seven of the previous fourteen years. He had passed, not long since, through an interval of deep popular discredit after the Hoare–Laval episode, but his part in the abdication episode had fully restored his prestige, and he retired from active political life amid spontaneous praise from all parties and all the countries of the Commonwealth for his patient statesmanship and his determination at all times to do right as he saw it. He saw it through the eyes of an English country gentleman, anxious to preserve the traditions and dignities of national life, and to adjust the relations between economic classes to the patriarchal pattern of rural society; unimpressed by purely pecuniary argument or by "isms" of Right or Left; reluctant to meddle with international affairs, which might disturb the peace of the country he loved. His character and leadership have left a deep mark on British public life, on the affairs of the Commonwealth, and in a largely negative sense on those of the whole world. The first act of his successor was to advise the King to confer on him an earldom and the Garter.

Mr. Ramsay MacDonald, who shared with Mr. Baldwin those fourteen years of the Premiership, and whose personality has had scarcely less influence upon our political history, resigned at the same moment. He was generally believed to have been also offered a peerage, but to have declined; and he retains his seat as National Government member for the Scottish Universities. Mr. Walter Runciman, the most experienced in office of them all, received

a viscounty on his retirement from the presidency of the Board of Trade, which he first held twenty-three years ago.

Mr. Baldwin was succeeded, as everyone expected, by Mr. Neville Chamberlain. Mr. Chamberlain represents an entirely different political tradition, that of the business man whose grounding in public affairs lies in provincial municipal life, and it remains to be seen what changes this may entail in the course of our political development. His conservatism is likely to show at least a streak of the radicalism that marked his father's earlier career. Sir John Simon took his former place as Chancellor of the Exchequer, and Lord Halifax that of Mr. Ramsay MacDonald as Lord President. Sir Samuel Hoare went to the Home Office, Mr. Duff Cooper to the Admiralty, Mr. Hore-Belisha to the War Office, and Dr. Burgin to the Ministry of Transport, these being successive links in a chain of translations. Mr. Oliver Stanley, who succeeded Mr. Runciman, was himself succeeded as Minister of Education by Lord Stanhope. The latter, Dr. Burgin, and Lord de la Warr, who became Lord Privy Seal in the room of Lord Halifax, were the only newcomers to the Cabinet. Since in party colour they are respectively Conservative, Liberal National, and National Labour, like the retiring Ministers, and since the remaining offices were retained by their former holders, the balance of parties in the Cabinet was disturbed only by the reduction of its numbers by one, the First Commissioner for Works, formerly the Conservative Mr. Oliver Stanley. Thus after six years and two general elections we still have "the mixture as before". The chief criticism of the reconstruction was directed against the changing of horses in mid-stream at two of the service Ministries, especially at the Admiralty, every one of whose three political representatives was replaced by a novice in naval administration. It certainly seems unfortunate that at this time of crisis the political exigencies of promotion and precedence should appear, however falsely, to have over-ridden the

need for pressing forward the rearmament campaign with the utmost concentration.

II. The National Defence Contribution

MR. CHAMBERLAIN took office amid an extraordinary political situation for a new Prime Minister to face. He had been responsible for introducing a tax proposal which had been received with almost unanimous outcry by his own supporters and had found scarcely a friend anywhere.* The Finance Bill embodying the detailed terms of the National Defence Contribution, which was published on May 24, contained a number of concessions to his critics. The standard period, in relation to which the taxable increase of profits would be calculated, which had originally been fixed as the average of 1933 to 1935, would now be either the average of any three of the years 1933 to 1936 or any two of the years 1933 to 1935. The rate and gradation of the tax were adjusted in favour of the taxpayers. Additional relief was afforded to small businesses and new businesses. Industries which on account of their inevitably speculative nature or for other reasons had been allowed a specially large standard rate of profit under the war-time Excess Profits Duty would be similarly privileged under the new tax.

These and the other concessions introduced were presumably thought by the Government to be sufficient to appease the critics. It was a grave miscalculation. Three days later a meeting of representatives of British industry passed a resolution declaring that the provisions relating to the National Defence Contribution

> must involve major hardships and inequities, particularly upon those industries which have been peculiarly subject to depression in recent years, and must severely restrict the growth of enterprise and the development of new forms of industrial activity.
>
> The industries represented recognise the necessity that industrial profits must provide £25,000,000 per annum to the national

* See The Round Table, No. 107, June 1937, pp. 629–635.

revenue in view of the heavy outlay for rearmament, but . . . drastic amendment of the present proposals is essential to make the contribution operate with that degree of justice which alone can render it acceptable to the taxpaying community and ensure that it shall be paid with the willingness which is traditional.

When the Finance Bill came before the House on May 31 Sir John Simon had fallen heir to this awkward inheritance as Chancellor of the Exchequer. He found himself attacked on all sides, and his admission that the modifications had reduced the prospective yield from £25 million to £15 million only added to the armoury of his critics. Mr. Dalton's advice, from the Labour benches, was to "take it back and try again". An Opposition Liberal described the tax as a "national endowment of accountants and lawyers". A Liberal National told the Prime Minister that he was "presuming on his position and upon the loyalty of his supporters". Mr. Winston Churchill, in an irresistible speech, offered his "avuncular advice". He hoped they "would not have a draggle-tailed, tattered tax forced through sulky lobbies". The Prime Minister and the Chancellor would, in his belief, be right and courageous if they now dropped the whole thing and made a virtue of dropping it. Mr. Chamberlain took the advice, and industry at its word. He would, he said, be not only something less than prudent, but would be stupid if he were to persist in a particular method of getting what he wanted if he could get it by a simpler method and get it in larger amounts and in a much better way. He proposed to withdraw the present proposals and substitute a simpler tax with a larger yield. Mr. Attlee, leader of the Opposition, instantly congratulated the Prime Minister on his responsiveness to the will of the House.

The substitute plan, published on June 16, discarded the model of Excess Profits Duty for that of another war-time expedient, Corporation Profits Tax. A tax not exceeding 5 per cent. would be levied on trade and business profits in excess of £2,000. Professions and public utility undertakings would be excluded, and the tax might be remitted

on new industries established in the "special areas". The gross yield was estimated at £25 million, but the tax would be deducted before computing profits assessable to ordinary income tax. The revised provisions, though receiving some detailed criticism and amendment in committee, were accepted almost meekly on both sides of the House, and duly passed into law.

The incident is not, in retrospect, entirely easy to understand. There must be many industries and firms whose burden will be much higher under a tax yielding £25 million than under one yielding £15 million or less, and it is safe to assume that some of them were among those that protested vehemently against the original tax even in its modified form. The willing acceptance of a heavier tax for the sake of greater simplicity in calculation is not a usual business trait. It is reasonable to ascribe a large part of the agitation to uncertainty concerning the exact incidence of the original tax, its widely different weight on different industries and companies, and its stern gradation against firms whose profits had most rapidly increased and therefore had most keenly tempted the speculative investor—all characteristics that entailed a maximum degree of depreciation of stock exchange values, by comparison with a super-tax on profits which applied uniformly to all industries. But if—as there is plenty of evidence to suggest—this financial, capitalist consideration was a prime motive in the criticism of Mr. Chamberlain's plan, why should the Labour Opposition have marshalled itself in the same camp? Politics are certainly full of paradoxes.

III. The Labour Party

THE Labour party has not, indeed, been altogether happy in its rôle of chief parliamentary Opposition. There have been hints of discontent with its leadership and of a demand for more vigorous anti-Government tactics. When Mr. Shinwell, himself a keen parliamentary

fighter, circulated a memorandum among his fellow members suggesting that their policy be "gingered up", it was rumoured that his action had been inspired by Mr. Attlee's congratulations to the Government on their submission over the National Defence Contribution. Mr. Shinwell, however, denied that this had been the occasion or that his intention was rebellious, and his memorandum was amicably discussed at a meeting of the parliamentary party. Nevertheless, there has been apparent, both to its own members and to others, a fatal want of decision and unity in the Labour party's attitude. Certain incidents, of minor importance in themselves, have cumulatively served to lower Labour's prestige in the House and in the country. Thus a motion for the adjournment, which had been demanded by the Labour party itself in order to discuss foreign policy, was deliberately talked out by one of its own members. A few days later occurred the overruling of the party executive by the back-benchers in a decision on the party's attitude towards the defence votes. The leaders, including Mr. Attlee and Mr. Herbert Morrison, wished the party to challenge the defence estimates in the lobbies, but an opposition led by Mr. Hugh Dalton mustered a majority, and party discipline secured compliance with the decision to abstain from voting. Only six members of the party's pacifist wing joined the members of the Independent Labour party in publicly opposing rearmament.

The trade union movement has also been passing through a period of conflict between its Right and Left wings, in which so far the Right has triumphed. In more than one trade dispute, counsels of compromise have gained the day, and the clouds of industrial warfare that threatened so ominously a few months ago have been dispersed. When the last issue of The Round Table went to press, the London bus strike was still in progress.* The representatives of the busmen, acting against the known opinion

* See The Round Table, No. 107, June 1937, pp. 639–641.

of the upper hierarchy of the Transport and General Workers Union, had rejected a settlement along the lines suggested by the official board of enquiry. The busmen's next action was to try to increase the effectiveness of the strike by bringing out the tramwaymen and the trolly-bus workers, but a delegate conference of this section of the union, held on May 20, refused to extend the dispute on unofficial lines, and pledged itself to assist in carrying out any action that the executive council of the union might desire. Five days later, the executive council decided to relieve the busmen's committee of responsibility for the further conduct of the dispute.

On May 26, after a meeting with representatives of the London Passenger Transport Board at the Ministry of Labour, the executive ordered the busmen to return to work. The terms of the understanding with the Board were that all strikers should be reinstated without penalty, that existing terms of work and wages should continue for the time being, that both parties accepted the report of the board of enquiry, and that they would immediately meet to negotiate a new agreement and to establish joint machinery for the investigation of various aspects of the busmen's conditions of work, especially in relation to the effect that those conditions might have upon their health. Such investigation was to be followed by the "immediate and appropriate steps" required, either through a reduction of hours or otherwise. The busmen had been on strike for a day short of four weeks, and 25,000 drivers and conductors had been involved. The settlement left open the main issue in the strike, namely the claim for a 7½-hour working day. A new agreement, largely favourable to the men but keeping the maximum working time at eight hours, though subject to later revision, was signed in the middle of June.

The agreement had been negotiated by Mr. Ernest Bevin and other central officers of the union. A week before it was reached, the union executive had suspended the central

bus committee, which had been responsible for the strike, from all its duties. Full control of all matters relating to the busmen's section would be vested in the executive until the investigation of existing conditions had been completed. Mr. Bevin's campaign against the extremists, and against "unofficial" leadership and action, was pressed home to the end. The union executive submitted a special report to the annual conference of the union in July recommending that an end should be put to rank-and-file organisations within the union and to all bodies not acknowledged by the rules, and asking the conference to authorise disciplinary action against members who took part in them. The report was adopted by an overwhelming majority, the chief opposition coming from the busmen's leaders. This decision was promptly followed by the expulsion from the union of three of the leaders of the bus strike, and the suspension of four others from the right to hold office for three or five years. Mr. Bevin had established his position as virtual dictator of the transport workers and the outstanding leader in British trade unionism to-day; at the same time he had expressed the violent antagonism of the majority of the trade unionists to the subversive forces of communism and extreme socialism.

The Labour movement is divided between those who believe that only in moderation is the secret of electoral success to be found, and those who believe that it is to be sought, on the contrary, in unity of all Left-wing forces, inflexibly campaigning against the forces of capitalism and fascism. Both sides to the controversy agree on one point, that something needs to be done to increase the strength of the Labour party among the electorate. The last few months have seen a long series of by-elections which have been popularly described as a miniature general election. This description is not altogether fair to the Opposition, since all but a few were safe Conservative seats. Twelve by-elections took place between June 10 and July 13, all of them in constituencies formerly held by

the Government. In every case the result was "no change", except at Cheltenham, where the official Government supporter was beaten by an independent Conservative, a popular mayor of the borough. It is true that Mr. Isaac Foot, a veteran leader of Liberalism, came within 210 votes of defeating the National Government candidate at St. Ives, Mr. Runciman's old constituency, and that another Opposition Liberal gave the Conservatives almost as close a shave in North Dorset. The Liberals also managed to increase their voting strength in Hemel Hempstead and Bewdley—in the latter constituency by comparison with 1929, Mr. Baldwin having been returned unopposed in 1931 and 1935. This encouragement to Liberalism was one of the most notable features of the by-elections, since the cause has languished for so long under the progressive handicap of the popular belief that it was already lost.

But still more notable was the regular decline of the Government polls. Omitting Cheltenham and two seats where there was no contest in 1935, and aggregating the Liberal and Labour polls in those constituencies where they competed in opposition, we find that the average Government majority fell from 10,809 in November 1935 to 5,881 in June–July 1937. The ratio of the polling to total electorates was generally low, but not lower, on the whole, than in 1935. Yet in spite of the slump in Conservative votes, the Labour party did not come within hailing distance of winning a single seat. They were, indeed, leading forlorn hopes in most constituencies, and the opposition to Conservatism is traditionally Liberal in the West country. But it is almost an axiom of British politics that Labour will not get a majority in Parliament until it starts winning "safe" Conservative seats. The average number of votes received by the Labour party for each contested seat has actually fallen since the general election, and all that can be said in mitigation is that it has not fallen as fast as the corresponding figure for the

Government candidates. " No change " may therefore be interpreted, in terms of public opinion, as " no enthusiasm but no alternative ".

The failure of the Labour party to establish itself in the popular eye as a sound alternative Government is perhaps the outstanding fact in national politics since the panic election of 1931. It is not due to any terrifying extremism; for the recent trend has been all towards moderation in Labour counsels and the suppression of Left-wing agitation. Nor is it due, it seems, to any insurmountable objection to socialistic reform among a bourgeois population; for since 1931 Labour has not merely won but further consolidated a majority in the local government of the largest city in the world, London, and has done so on the strength of a positive programme of housing and other social expenditure at an acknowledged cost to the rate-payer. Indeed, it seems not unfair to surmise that the present lack of appeal of the Labour party in national politics owes a good deal to its failure to concentrate on such social and economic problems, and to its dissipation of political energy on issues remote from the interest of the ordinary man. It may be unjust to criticise the Labour party in Parliament for devoting so much time and effort to criticism of the Government's foreign policy, since it is only against an international background of order and peace that social progress at home can be safely pursued. But from the purely electoral point of view, it seems, there is little positive popularity to be gained by agitation in favour of greater commitments abroad, whether in the name of collective security or in that of opposition to fascism. Rearmament is in truth a national policy, and non-intervention, it seems, is rapidly becoming one.

CANADA

I. Federal Affairs

DURING the three months since the close of the parliamentary session in April, all has been quiet on the front of Canadian federal politics. The calm may in part be attributed to the absence of the Prime Minister, who has been in England for the Coronation and the Imperial Conference. From the Conference has come no news to accentuate conflicts of opinion about defence and foreign affairs. The provincial elections in British Columbia and Nova Scotia reveal that the tide has not yet turned against the Liberal party; and a recent declaration by Mr. Hepburn of Ontario of his independence of the Federal Liberal party does not seem to have fluttered the dovecotes of Ottawa.

The calm, which critics call inaction, may be taken to reflect the general improvement in Canadian business. The national revenue is increasing and Canada is moving even more rapidly than Mr. Dunning predicted towards a balanced budget. The statistics of external trade are impressive. There is no longer a vast overhanging surplus of wheat, and prices are relatively high. The volume of business is increasing in almost every industry. The index of employment continues, if slowly, to rise.

There is, however, a darker background. The state of provincial finances is not encouraging. For the last fiscal year, every province in Canada except Ontario reported a substantial increase in public debt. On the provinces, heavy relief charges added to the burdens of interest have placed an almost unbearable strain. The numbers of unemployed and of people on relief have unfortunately not

declined in proportion to the revival of business. The unemployment figure still stands around 500,000. Well over a million Canadians, or nearly 1 in 10 of the population, are reported to be receiving direct relief. It is now recognised that unemployment on a large scale may have become a chronic problem in Canada, and the report of the National Employment Commission appointed in May 1936 is eagerly awaited, in the hope that it may offer some guidance towards a wise, long-term policy.

The slow recovery of agriculture in the prairie provinces is not without relation to the problem of unemployment. There the prospects for the 1937 harvest are discouraging; the future of the drought areas, particularly in Saskatchewan, is highly uncertain; and recovery on the prairies is still gravely impeded by serious accumulations of private and public debt. The circumstances that led Alberta in 1935 to grasp the straw of Social Credit and later to repudiate debts, and last year required a vast scheme of debt-adjustment in Saskatchewan, still exist. It is not surprising that the contrasted tempos of recovery in east and west should emphasise one of the perpetual conflicts in the Canadian economy and in Canadian politics—the conflict of the agricultural and debtor west with the industrial and creditor provinces of the older Canada. The west again thinks of its colonial status in the economic empire of Toronto and Montreal; again it speaks loudly of the unequal incidence of the Canadian tariff. Last winter, there was an agitation in the west for a national commission to consider the special difficulties of the prairie provinces. The federal Government met the demand with the promise of a Royal Commission to investigate generally the division of powers of taxation and of financial responsibilities between the Dominion and the provinces. The Commission, however its specific terms of reference may be drawn, will undoubtedly evoke discussion of some of the fundamental issues of Canadian politics and economics. Behind the question of the distribution of the taxing power lie the problems that arise in the constant

effort to adjust the various regional economies from sea to sea in a somewhat artificial national economy. The hearings of the Commission are sure to precipitate a discussion of the revision of the British North America Act. Indeed, that question is already to the fore. The constitution of 1867, as interpreted by the courts, is widely considered to be inadequate to the needs of contemporary Canada. It has been sardonically described as one that gives all the money to Ottawa and all the powers to the provincial capitals. The recent decisions of the Privy Council on the validity of Mr. Bennett's social legislation * are shattering to those who wish to strengthen the unity of Canada and to improve the social order. Critics of the judges in London do not blame them for failing to take cognizance of the extreme difficulties in the way of amending the constitutional law of Canada; they do attack their apparent treatment of the constitution of 1867 as a mere compact between the original provinces. The federal Government itself does not escape criticism for failure in recent years to exercise its powers of disallowance, especially in respect of certain legislation in Alberta, the repudiation of contracts by the province of Ontario, and the Quebec statutes directed against the status of the English language and civil liberties. "Conflicting sectional interests," says one critic, "are fast driving us toward the same kind of deadlock in government which existed in Canada during pre-Confederation days."

Separatist tendencies are strong in Canada in 1937. Prosperity seems to be the true cement of Canadian unity in the everlasting struggle against geography. The lean years from which the country is just emerging have strengthened the centrifugal forces. The depression has stirred to new life the nationalism of Quebec. It has awakened the chronic suspicions of the west towards the east. It has even led Ontario into courses eccentric to the orbit of Ottawa. At such a time the decisions of the Privy Council come most inopportunely. A few voices have been heard

* See the article on "Canada and the Privy Council" above, p. 755.

once more to advocate a National Government to deal with the constitutional problem.

II. Provincial Politics

THE first provincial elections since Quebec returned the Union Nationale in August 1936 took place in June in British Columbia and in Nova Scotia. The victories of the existing Liberal Governments were a reflection of improving business conditions on the Pacific and Atlantic coasts. In British Columbia Mr. Pattullo was returned suffering minor losses to the Conservative party, which will now replace the Co-operative Commonwealth Federation as the official Opposition. The C.C.F. held its ground with seven seats. Supporters of Social Credit commanded only 1,600 votes and did not win a seat; the lesson of neighbouring Alberta had been fully learned. In a straight two-party contest in Nova Scotia, the Liberals under Mr. Macdonald won 25 seats against 5 for their Conservative opponents.

These elections have caused little comment. The journalistic spot-lights have been fixed on Alberta, Ontario and Quebec, whose politics may be taken to illustrate the diverse patterns of Canadian affairs.

Alberta.

In Alberta, the comedy of Social Credit is still being played. The Government lives on promises as if one really could fool all the people all the time. The experiment in prosperity certificates or scrip, launched as a red-herring in the summer of 1936, has been abandoned. At the turn of the year, disgruntled private members were framing a belated plan of Social Credit action with the assistance of Mr. J. G. Hargrave, an expert from England. In January, the disillusioned expert made a dramatic exit from the province after making a statement to the press in which he said:

> Having done my utmost to help, I am leaving Alberta because I find it impossible to co-operate with a Government which I consider a mere vacillating machine which operates in starts,

stops and reversals. . . . I still feel that the first Social Credit Government in the world is not yet publicly committed to the principles of Social Credit. I still feel that it lacks technical knowledge and that, as a consequence, it has over the past 16 months groped its way like a man stumbling along on a pitch-black night. There were indications that it was groping its way in the right general direction but I should now hesitate to say even that.

In February, the Supreme Court of Alberta declared invalid the Acts of the special session of the summer of 1936 reducing private debts and rates of interest on public and private debts. The Government replied by imposing a moratorium on private debts.

During the regular session of the legislature from February to April, a revolt against the Government developed among the rank and file of Social Credit members. The revolt was directed against the procrastinations of Mr. Aberhart, whose 18 months of grace had expired, and against the orthodox budget of his Government. The Social Credit miracle apparently does not require additional taxation. The budget did not increase the income tax, but it did raise the tax on corporations and the provincial sales tax, in order to meet the deficits that still exist in spite of defaults on maturing bond issues and the arbitrarily lowered rates of interest. The insurgents objected to the increased taxation. Mr. Aberhart faced his opponents with the power of dissolution and the battle ended in a compromise. Mr. Aberhart set up an Alberta Social Credit Board of five private members to be responsible for what is presumably the major policy of his Government. The insurgents were to take their turn in squaring the circle. They consented to vote interim supply. The budget was suspended and a special session of the legislature was announced for June.

In May, the factions waged a spirited battle on platforms throughout the province while the chairman of the new Social Credit Board took counsel with Major Douglas in England. Major Douglas announced that he would come to Alberta when party harmony was restored, and two

lieutenants were sent to the Social Credit front. At the adjourned meeting of the legislature in June, harmony was restored; the budget was accepted; a radical Bill for the reduction of the principal of debts was abandoned; the earlier Debt Adjustment Act was extended to protect all debtors and all debts contracted before July 1, 1936. The main argument for peace seems to have been the simple fact that insurgent members receive a sessional indemnity of $1,800 a year; for, as a woman member devoted to the cause of Mr. Aberhart ingenuously explained during the forays of May, insurgent members would now be on relief had they not received Mr. Aberhart's benevolent approval in 1935.

The reconciliation of the factions, the creation of the Social Credit Board, the new liaison with Major Douglas, and the arrival of the experts allow the Government to offer new hopes of Social Credit achievement and to win a new lease of political life. Actually, faith in Utopia is waning. In 1935, 54 per cent. of the electorate voted for Mr. Aberhart. They included many who cast their ballots for reasons other than enthusiasm for Social Credit. Since they have long since seen the error of their way, it may be guessed that a new election would see the downfall of Mr. Aberhart, provided, of course, that there is a unified Opposition. That has been the goal of an organisation of citizens of all parties called the People's League. It remains to be seen whether a new provincial party will emerge or whether the re-organised Liberals will succeed in rallying the forces of opposition to the Social Credit experiment. At the moment, it seems that the Aberhart Government will remain in office until new dissensions split its party ranks.

Ontario.

The political scene in Ontario has been agitated by the activities of Mr. John Lewis's Committee on Industrial Organisation and by the uncompromising opposition of the provincial Government to the introduction of its characteristic methods, including the "sit-down" strike, into

Canada. Shortly after the conclusion of the sit-down strike in the General Motors Corporation in the United States, a strike began in the company's Canadian factory. An emissary of Mr. Lewis arrived in Oshawa. It is not clear whether the C.I.O. chose Oshawa as a key position in a strategic drive into Canada or whether the Oshawa workers invited the C.I.O. to come over into Macedonia. Mr. Hepburn was more than inclined to take the former view. He announced that " Lewisism " would stop at the border. Two of his more radical Ministers were promptly asked to resign on the ground that they had respectively approved of the payment of relief to strikers and denied police protection to a firm which had refused to recognise the C.I.O. Thus the Government that once appeared so far to the Left over the repudiation of power contracts moved sharply to the Right on the labour issue. Moderate opinion is uncertain about the aims of the C.I.O. Is it a belated attempt to inaugurate a régime of collective bargaining in America, or the effort of a ruthless minority to subvert the economic and political order? Mr. Hepburn's impulsive intervention at Oshawa suggests that he took the darker view. At any rate, he was determined that the industrial conflicts of the United States should not extend to Ontario to the detriment of an expanding export trade and of mining activity in the north.

The Oshawa strike ended with the recognition of the local union of the United Automobile Workers' International Union, but Mr. Hepburn scored a pyrrhic victory when peace was signed by local workers and not by agents of the C.I.O.

Mr. Hepburn went on to defy the Liberal chieftains in Ottawa, where events in Oshawa had been treated as a decent, old-fashioned strike. In June, he announced in words destined for the head-lines that although still a reformer he was not a Mackenzie King Liberal. In the same address Mr. Hepburn made a gesture of good will toward Mr. Duplessis of Quebec, who likewise has no love

of international trade unions, new style. Quebec returned the compliment. The net result of these events has been to split the ranks of the Ontario parties. Many Conservatives think that the erstwhile radical Mr. Hepburn has acted sincerely and well; many Liberals deplore his volatile actions and his alleged *entente* with mining millionaires.

The prophets have been busy. They announce an early election in Ontario with Mr. Hepburn leading a coalition of the Right; or they predict a new third party in federal politics based on a mixed marriage of Conservatives in Ontario and Quebec; others of a different stripe foretell the rise at last of an effective Labour party. The ordinary citizen is distressed to hear the sinister words fascism and communism and to realise that the contemporary conflict in the United States has reached the Dominion of Canada. As for the industrial workers, there is reason to believe that the majority of them strongly resented Mr. Hepburn's uncompromising opposition to an organisation that was tacitly recognised by the Dominion authorities as "an international union" within the meaning of the Immigration Act and therefore entitled to send its accredited representatives into Canada on their lawful occasions. While the flocking to the standards of the C.I.O. that occurred just after its success in the General Motors strike at Oshawa has ceased, and a contrary movement is said to have set in, that is not to say that Mr. Hepburn will not feel the displeasure of the workers at the coming election.

Quebec.

A year has now passed since the Union Nationale of Conservatives and insurgent Liberals destroyed the Taschereau regime in Quebec.* The years of depression had strongly accented the nationalism of French Canada, and the Government of Mr. Maurice Duplessis was swept into power by a resurgence of anti-English feeling. Opinion

* See the article on "Nationalism in French Canada" in The Round Table, No. 105, December 1936, pp. 126–136.

was particularly hostile to the economic domination of Quebec by alien "big interests" such as the power trusts. The revived nationalism urged a "new deal" for the French Canadian masses. The aspirations of the more extreme nationalists of 1936 could be satisfied with nothing less than a thorough policy of expropriation and public ownership, but a socialist Quebec is a contradiction in terms. In two sessions of the legislature, Mr. Duplessis has manœuvred skilfully between election promises and the ancient ways in Quebec. There has been no attack on the principle of private ownership, but only gestures to restrain the trusts and to placate public opinion. One statute aims at preventing over-capitalisation in industry. Another bars the Crown from granting leases of forests, mines, and water power except to companies wholly incorporated within the province. Several deal with the question of electric power. A new commission of control has been set up to investigate the private utilities and to protect the consumer. Municipalities have been granted special powers to build and to operate their own power plants. A special government agency has been set up to produce and to distribute power in the mining areas of northern Quebec.

The new emphasis on the colonisation of marginal areas within the province is strictly in the tradition of the nationalist policy of Church and State in Quebec. It aims at maintaining a peasant society and balancing the spread of urbanisation. An extreme by-product of the resurgent nationalism is a law of doubtful validity directed against the status of the English language in Quebec. Henceforth, whenever there is a difference in the text of the law, the French version shall prevail regardless of the source of the law. The new rule deprives the English minority of an authoritative text in their own language and threatens to carry confusion into the interpretation of the law.

The drive against international trade unions and especially the C.I.O. is in the tradition of a province that favours Catholic unions under the ægis of the Church, and is also a

special sign of the times. It brings Mr. Duplessis of Quebec into line with Mr. Hepburn of Ontario. Another sign of the times is the extraordinary " padlock " law, which seeks to protect the province against " communist " propaganda. Communism is a wide and very vague term in Quebec, where communists in the strict sense are few. The new law gives to the Government the power arbitrarily to padlock houses from which undesirable propaganda is being spread. It is said in some quarters to be directed against all ideas that are anathema to the Church, and has been widely noted throughout Canada as a grave infringement of civil liberties.

The charge of fascism has been made against the Government of Quebec. No doubt there is a tendency in that direction, but Mr. Duplessis is probably no more fascist than he is nationalist in any extreme sense of pursuing self-determination for Quebec. The extremists who speak of separation or of the corporative state are a small minority within the ranks of the Union Nationale. The recent legislation indicates an opportunist attempt to satisfy and yet to control the forces of nationalism. With some exaggerations, it mainly follows the old ways of maintaining the particularism of French Canada against the sapping forces of North American civilisation. But Quebec is stirring, and the new movement may go to the Right or to the Left—towards a corporative state within the limits of the encyclical Quadragesimo Anno, or, in the pursuit of material progress, away from the Church in a more liberal direction. For there are at least a few liberals in Quebec who trace the economic subordination of the French Canadian less to the guile of government than to the traditional education of the people, and who regard the Church as well as the power corporations as a " big interest." Quebec, it should be remembered, was separated from France before 1789.

Canada, July 1937.

AUSTRALIA

I. Ottawa and Australian Trade Policy

THE Anglo-Australian trade agreement * expires on August 20, 1937, but it will live on subject to the prescribed six months' notice by either Government. Ministers have been extremely reticent regarding their policy, but before leaving for the Imperial Conference the Prime Minister hinted, to a private deputation representing the Associated Chambers of Manufacturers and of Commerce of Australia, that formal notice of denunciation would probably be given some time before the federal elections, with a view to enabling the agreement to be modified early in 1938. In a subsequent statement, Mr. Lyons explained that the agreement would not be discussed at the Imperial Conference, partly because of an already over-full agenda, and partly because previous experience proves that the method of leisurely bilateral conversations is more effective for securing revision than a full-dress conference working to a time-table. Events have, to some extent, forced the hands of delegates, and the American overtures have lifted the discussions of the Ottawa principles from the level of domestic give-and-take to the international plane of world well-being.

In common with that of the rest of the Empire, Australia's trade has expanded since Ottawa, and the figures also disclose some diversion of trade from foreign countries to Great Britain. It would be unsafe to argue, however, that either the expansion or the diversion is a result of Ottawa. Both may be traceable to other factors, such as

* See The Round Table, No. 89, December 1932, pp. 54–60 and 191–197; and No. 92, September 1933, pp. 895–904.

general economic recovery in the Empire, and the stability of the London-Australian exchange, factors that have contrasted sharply with conditions prevailing in other countries. Nor are the changes in the Australian tariff all attributable to the Ottawa agreement. The removal of the crisis prohibitions of 1930-31, or at least their modification, would naturally have followed economic recovery, and the greater part of the initial lowering of duties soon after the agreement was signed can be explained by internal conditions, such as the fall in local production costs, increased industrial efficiency, and the protection afforded by the fall in the Australian pound.

Hampered by election promises and by the protectionist opposition of the Labour party and the manufacturers, the Government had to walk warily. While it did reduce some duties in the tariff schedules of October 1932, its simultaneous raising of the general tariff on many classes of foreign goods was an unexpected application of the principle of British preference. Nevertheless, the Tariff Board could report in 1935 that the 1930-31 prohibitions and surcharges had been removed, that primage on hundreds of items of United Kingdom goods had been either cancelled or reduced, and that of about 300 items reviewed by the Board the duties on 285 had been reduced below those ruling in August 1932. Until 1933-34 the Board had regarded primage and exchange premium as temporary phenomena and had ignored their effects in deciding the amount of duty required to protect Australian industry. Then it changed the basis of its computation; to offset the protective effect of the exchange premium, the Exchange Adjustment Act (October) 1933 authorised a reduction of about one-fourth of the amount of duty payable on goods dutiable under the British Preferential Tariff, or one-eighth of the value for duty, whichever deduction was the less. Since the Act does not apply to foreign goods, British preference is automatically enhanced. Still later, the Tariff Board adopted a new formula for

computing rates of duty, and on items since reviewed the Board has recommended rates applicable under present currency conditions, as well as alternative rates to meet exchange variations.

All this has not been achieved without protest, although the disturbance to local industries has been relatively slight. Occasional decisions have been used to arouse public fear of reduced employment in concerns thereby threatened by more effective overseas competition. The reasonable recommendation to reduce cement duties provoked a violent political agitation as well as strong objection by the United Kingdom Government.* Throughout, the Tariff Board has sought to protect both Australian industry and the Australian consumer, and it has been at pains to explain the factors that have justified reductions in duties.

> Many industries (says the Board's report for 1936) are now able to sell their products at prices little, if any, above the costs of duty-free importations from the United Kingdom; the prices of some locally made goods are even below the costs of duty-free imports. Whilst the protective effects of exchange and the greater demand for goods arising from returning prosperity have played their parts in these favourable developments, the Board is pleased to report that increasing efficiency has also been an important factor.

It is not surprising that the status of the Tariff Board should have been attacked. Not only is the Government obliged to refer duties affecting United Kingdom products to the Tariff Board in order to determine the conditions of reasonable competition, but by article XII of the Ottawa agreement it also undertakes not to ask Parliament to approve any new duty, or any increase of duty, in excess of that recommended by the Board. The deputation to the Prime Minister that has been mentioned in the first paragraph above asked the Government to amend the agreement in such a way as to leave Parliament free to act independently of the Tariff Board. Even if the British Government would agree, the proposal runs counter to the

* See The Round Table, No. 104, September 1936, p. 848.

declared policy of the Lyons Government, as explained to the House by Sir Henry Gullett.

But the request also illustrates the inconsistency of the manufacturers. It is well-established practice in Australia for Governments to create quasi-judicial tribunals to investigate and determine technical and other matters on their behalf. The Tariff Board is in the same category as Public Service Boards which control civil service personnel, or Wages Boards and Arbitration Courts which determine wages and conditions of employment. And the interests attacking the Tariff Board are at pains to insist that other Boards shall be allowed to operate without political interference. The Lyons Government was, therefore, merely applying a well recognised principle in its undertaking at Ottawa.

Nevertheless, tariffs are of such political and industrial significance, and are so influential in determining social policy, as to render very difficult constant adherence to the principle of parliamentary compliance with the findings of the Tariff Board. It is much easier to present a convincing case to members of Parliament than to members of the Tariff Board. And if the Government has been embarrassed by article XII it has added to its difficulties by ignoring the Tariff Board in regard to the trade dispute with Japan in 1936. It has also been criticised for appointing a Tariff Advisory Committee to deal with requests for the abolition, amendment, or addition of by-laws affecting tariffs. For both the composition of the Committee—a customs official as chairman, and one paid official each from the Associated Chamber of Manufacturers of Australia and from the Australian Association of British Manufacturers—and its procedure of private enquiry instead of public hearings render it doubtful whether it can be as impartial or effective as the Tariff Board.

Article X of the agreement is also under fire:

The tariff shall be based on the principle that protective duties shall not exceed such a level as will give United Kingdom

producers full opportunity of reasonable competition on the basis of the relative cost of economical and efficient production, provided—

and this is a significant loophole—

that in the application of such principles special consideration shall be given to industries not fully established.

The practical difficulties of determining relative costs as between Australian and British manufacturers have been very great, and these have not been removed by the desire of local manufacturers to have the article interpreted to mean that in any circumstances "Australian secondary industries shall be adequately protected against competition from the United Kingdom". The Tariff Board has *ruled that the article means that the duty on British goods shall be high enough to raise the landed cost of an article to a level not only sufficient to compensate the Australian* manufacturer for the higher cost of Australian labour, raw materials, and overhead charges, but also to provide a marginal advantage in his favour. British manufacturers complain that few concrete advantages have flowed from this interpretation, and they, too, wish the article revised. Between the Australian determination to permit no displacement of domestic manufactures, and the British desire to gain "full opportunity of reasonable competition", there is a gulf that cannot be easily bridged.

At Ottawa, Great Britain undertook

(1) to continue the free entry of our goods covered by the Import Duties Act, 1932,

(2) to maintain at least a 10 per cent. *ad valorem* preference upon commodities important to Australia, including copra, dried fruits, flour, tallow, lead and zinc,

(3) to impose new duties upon other commodities, including wheat, butter, cheese, eggs and copper, provided that we offered wheat, butter, copper and zinc, on first sale in the United Kingdom, at world parity prices, and in quantities sufficient to meet the needs of the United Kingdom.

Finally, special arrangements were made to fix quotas for meat and bacon with a view to raising the wholesale prices

on the British market to such a level as would maintain efficient production.

These undertakings give us certain specific advantages. For some commodities, such as meat and butter, there is room for expansion of our sales. For others, such as some dried fruits, the pressure of foreign competition will tend to make the existing preference as ineffective as our preferences on textiles proved to be for Great Britain as against Japan. For all our primary products, however, it would seem that a limit may be fixed for expansion in the British market both by Great Britain's domestic agricultural policy and by her population trends, unless the British standard of living rises. The increased burden of the tariff on the British consumer points to a potential shrinkage in capacity to pay for our exports, unless that burden is compensated by a lowering of our own and other tariffs to permit an increased volume of British exports.

Representative Australian exporting interests have given their own testimony to the Ottawa arrangements. Thus the 1936 report of the Australian Meat Board expressed satisfaction that a steadily increasing proportion of the British market had been secured and that Australia's meat exports were expanding despite the loss of European markets. There has been a marked increase in the chilled-beef trade, which was lifted from an experimental to a commercial basis as recently as 1935. The Australian Dairy Produce Board records an improvement in the quality of the butter exported, as a result of reducing the number of butter brands from about 900 to 4, and "a welcome increase in the average price realised". Other boards, such as those marketing wine and dried fruits, are less satisfied with the existing protection.

While it may be taken for granted that the principle of imperial preference, which Australia has applied since 1908, will remain a fundamental feature of Australian trade policy, the future of the Ottawa settlement is less certain. It is now recognised that conditions have materially changed

since the agreement was signed, and this, it is held, warrants a modification. There is no doubt that Australian manufacturers have been consistently hostile on the ground that local industries have been imperilled. British interests complain that insufficient scope has been afforded for reasonable competition, and there is some disappointment amongst primary producers in Australia who wanted at once a better export market and cheaper imports. While some of these influences tend to cancel out, the agreement—indeed the Ottawa settlement—may prove vulnerable to attacks from a growing body of thought which views economic appeasement as a vital step towards restoring world political stability and security.

The year 1936 was memorable in Australian tariff history. It saw the launching of the trade diversion policy,* the amendment of the tariff in important particulars, and the completion of a number of trade agreements. The course and the terms of settlement of the trade conflict with Japan have already been described in THE ROUND TABLE.†

By an amending Tariff Act of 1936, the intermediate tariff, which had been abandoned in 1933, was re-introduced by the Government in order to provide it with a margin for tariff bargaining with foreign countries. In introducing the tariff schedule in 1936, the Minister for Trade and Customs explained that "the rates proposed under the protective items of the intermediate tariff express in every case a protective level for Australian industry, as well as preserving the margin of preference required under the Ottawa agreement". If the British Preferential Tariff is protective, and if foreign exporters are no more efficient than those of the United Kingdom, it is likely that the intermediate tariff will be more than adequate for protecting Australian industry.

* See THE ROUND TABLE, No. 104, September 1936, pp. 843–848, and No. 105, December 1936, pp. 201–211.

† *Loc. cit.*, and No. 107, June 1937, pp. 657–660.

Parliament also dealt with a number of resolutions affecting excise and customs which had been outstanding since 1935. There have been several notable variations, including a review of the duties on Canadian logs, with the purpose of further protecting the Australian hardwood milling industry; the reduction of those on barbed wire from 68s. per ton under the British Preferential Tariff and 180s. under the general tariff, to *nil* under the British and Canadian preference, 160s. under the intermediate and general tariffs; and a revision of those on unassembled motor chassis, which are now *nil* under the British Preferential Tariff, 2½d per lb. Canadian preference, 5d intermediate duty and 5½d general, with higher rates for commercial vehicles and still higher for assembled chassis.

The last-mentioned duties are aimed at the United States, and are part of the trade diversion policy referred to. The Government sought, on the one hand, to encourage the manufacture in Australia of a complete motor vehicle, and on the other to afford effective preference to the British article. In order to foster local production, which is also linked up with national defence, the Government announced its intention of offering a minimum bounty of £30 an engine to be paid during the first two years of production, with a diminishing payment in subsequent years. The bounty both on engines and on chassis was to be provided in part by a special duty of 0·7d a lb. on all engines and chassis, but the national and economic aspects of this scheme were to be considered by the Tariff Board. It is a matter of comment, however, that reference to the Tariff Board was to be made after, and not before, the Government had decided all the details.

The necessity for finding markets outside the Empire is illustrated by the trade agreements with Belgium, Czechoslovakia, and France, which Parliament was asked to ratify during last year. In all three cases, the intermediate tariff rates have been applied, and the Government has agreed to

refer to the Tariff Board the suitability of the rates fixed for a number of commodities.*

During his negotiations in Europe, Sir Henry Gullett, then Minister for Trade Treaties, was impressed by the opposition to Australia's former tariff policy, as well as the resentment shown to the principles of the Ottawa settlement. These agreements are the outcome of his negotiations, but they make a very slender contribution to the appeasement of that dissatisfaction. The Government itself claims that the agreements, while safeguarding Australian exports, do not make any concessions that would restrict Australian industry, or hinder its steady expansion.

An agreement with South Africa that has also been tabled embodies most-favoured-nation treatment, with the reservation that the clause will not bind South Africa to give the same favours as it accords to adjoining foreign countries.

The overtures for an Anglo-American trade pact have a special significance for Australia, which is still pursuing against the United States its diversion policy. Goods affected by that policy can be imported only under licence, which cannot easily be obtained. Public appreciation of the reactions to this policy is now more general, but it is significant that official comments upon the Washington proposals are in accord with the resolution passed in June at a large meeting of members of the House of Commons against interfering with the effectiveness of the domestic and imperial tariff systems. The Attorney-General, Mr. Menzies, denied that the Ministry was contemplating any change in its tariff policy, and the Minister for Customs, Mr. White, declared that Australia would not willingly agree to reductions in her preferences in the United Kingdom as a result of any arrangement with the United States, which he indicted for its isolationist and tariff policy. The Chamber of Manufacturers, anticipating the competition

* An account of the agreements appeared in The Round Table, No. 106, March 1937, pp. 430–432.

of American goods, has fallen back on the "infancy and developmental" argument, while primary producers are concerned for their market in Great Britain. The Sydney Chamber of Commerce and economists, on the other hand, have stressed the need for pursuing a policy of economic appeasement. This argument has yet made little headway in Australia, though it has influential backing and is frequently discussed.

Primary producers fear that reductions in British agricultural duties in favour of the United States may imperil some of Australia's exports. Already, it is pointed out, the method of marketing American apples has prejudiced Australian sales in London. In any case, Australian wheat may lose the benefit of its 3d a bushel preference if America begins to export large quantities again. For Australia is obliged to sell at world parity, but if non-Empire countries wish to enter the British market they will be likely to depress the price to a point more than 3d below the previous world quotation.

Present indications suggest that the next federal elections will raise the tariff issue in an acute form. The former Labour Minister of Customs, Mr. Forde, has indicated that, if returned to office, Labour would immediately restore tariff rates. Denouncing the whittling down of the Scullin tariffs of 1929–30, he declared that "a Labour Government would at once guarantee manufacturers tariff security to enable them to pursue a developmental policy with confidence". There is, in his statement, no recognition of the reciprocal nature of trade, nor of the fact that in 1936 foreign markets took half Australia's exports, and that 60 per cent. of her imports came from countries outside the United Kingdom. Sir Henry Gullett warned us last October against the perils of Australian economic nationalism.

> Any diminution of the total external consumption of Australian goods (he said) must mean a curtailment of rural industry. Failure to expand the overseas demand for our goods must mean restriction of the present volume of production, which, in turn, unless the home consumption market is to be glutted and prices

broken, must mean the cessation of all scientific advancement in every branch of agriculture. . . . In a word, unless we can expand oversea consumption, rural Australia must stagnate. . . . There, in a few sentences, is the case for foreign treaty-making.

Nevertheless, the trade agreements that Sir Henry was defending themselves reflect both the strength of protectionist opposition and the relatively unyielding character of our tariff. It is perhaps unfortunate that the superlative quality of our merino wool makes us over-sanguine of our ability to drive hard bargains. Even the cost of the dispute with Japan last year did little to disturb our confidence.

II. The Ex-German Colonies

INTEREST in the question of the future of the ex-German colonies was stimulated in April last by the publication of a manifesto sent to Mr. Lyons in London by a number of professors and lecturers of Melbourne University. After referring to the "aggressive imperialism" of Germany, Italy and Japan, and to the expense and difficulty that would be entailed in scotching it by war, the manifesto recommends that the "haves" should attempt to meet the disabilities of the "have-nots" and that Great Britain should take the lead by declaring her readiness to consider two proposals: the reduction of trade restrictions and the whittling down of preferences within the Empire; and the pooling of post-war mandates under stricter control by the League of Nations, so that they would be equally open to the trade and investment of all nations. "But both these offers," says the manifesto, "would be contingent upon the Fascist countries coming back into the League and supporting collective security".

The manifesto was unfavourably received by the press, the general comment being that the authors were completely out of touch with realities. But the suggestion made in the manifesto that Mr. Lyons might display his

statesmanship by offering to throw the mandated territory of New Guinea into a pool for redistribution by the League served to bring home to Australians the fact that the German demand for the return of colonies is presumably not limited to Africa.

The unpractical nature of the professors' suggestions is apparent. To begin with, it is academic to consider anything less than the out-and-out return of her former colonies to Germany. Certainly Lord Lugard has proposed some form of international control; but past experience goes to show that such control is not in the best interests of the colony affected, and there is no reason to suspect that Germany's demands would be satisfied by the admission of German nationals into a cosmopolitan civil service governing colonies in the hands of the League of Nations. The Melbourne professors do not go as far as Lord Lugard. They suggest only that Germany's old colonies should be returned to her as mandates on condition that she re-enters the League and promises to support the principle of collective security. Their scheme is based upon two fundamental misconceptions; the first, that there is a practical possibility of Germany's keeping such a promise if it did not suit her to do so; the second, that a mandated colony in some sense belongs to the League of Nations, and is held only subject to good behaviour.

As to the first, it is not so much an accusation against Germany as merely a statement of fact that her attitude to treaties is different from our own. According to the political philosophy of Treitschke, Lasson and von Bernhardi, a treaty is not an exchange of pledges between the contracting parties which is meant to govern their relations in the future, but an expression of their relations at the moment that the treaty is signed and therefore binding only until circumstances change.

As to the second, a mandate is not a gift of territory from the League of Nations, but a promise to the League by a Power that it will administer according to certain principles

territory over which it has full sovereignty. The ex-German colonies were ceded, not to the League, but to the Principal Allied and Associated Powers. The Powers split them up between themselves, and having done so made a declaration to the League by way of self-denying ordinance that they would administer them not altogether selfishly. Hence when Japan left the League there was no question of her returning her mandates. Hence, also, if her old colonies were given back to Germany as mandates, she could, with or without again leaving the League, treat them as territories over which she was fully sovereign.

The practical question, therefore, is whether or not her former colonies should be given back to Germany. The German demand for their return is based upon three main considerations: the need for an outlet for surplus population; the need of access to raw materials; and the need to enhance her national prestige. The first carries very little weight. In the whole of the German colonies there were, before the war, only some twenty thousand Germans. Certainly the Australian mandates, New Guinea and Nauru, will never be capable of carrying a large white population.

The economic arguments are stronger. The natural resources of New Guinea and Nauru are considerable. Nauru, which is controlled jointly by Great Britain, Australia and New Zealand, produces nearly three-quarters of a million tons of phosphate rock a year, valued at over £400,000. It is sold by the British Phosphate Commission at a slight advance on cost price. It is estimated that there is sufficient rock there to keep up the present output for several generations. The cost in Australia of phosphate from Nauru is below the cost of supplies from other parts of the world, so that, if the island were returned to Germany and run by her as a profit-making concern, she could make substantial profits from the sale of the phosphate or such of it as she did not wish to use at home in her own agriculture. The mandated territory of New Guinea is now known to have resources far exceeding what

was suspected when Australia took it over in 1914. Rich goldfields have been opened up and already have an output of over £2 million a year. An intensive search is being conducted for oil in commercial quantities, with some prospects of success. There has also been a great increase in the output of copra, the dried flesh of the coconut, which is a source of vegetable fat and is used in making soap, margarine, and glycerine. Gold and vegetable fats are among the commodities that Germany needs, and undoubtedly Germany attaches importance to colonies as sources of raw materials. But there are no export quotas or trade barriers of any kind to prevent any country from buying the gold or copra of New Guinea.

The first answer to the German argument is that, far from cornering raw materials to the detriment of countries not possessing colonies, the colonial Powers are concerned to expand the foreign markets for those raw materials. As Germany is short of foreign exchange, however, the answer is not complete. If the former colonies were within her own currency system, it would be easier for her to procure their raw materials and she would certainly be better off. But it is open to Germany to avoid currency difficulties by modifying her present economic policy.

In spite of the emphasis laid by Dr. Schacht and Dr. Goebbels on raw materials, the German claim for colonies is primarily political. Herr Hitler has aimed consistently at removing all the limitations imposed on Germany by the peace treaty, and the restoration of colonies has become a matter of national prestige. On the political plane, those who advocate the restoration of colonies to Germany argue that only by restoration can the danger of war be averted, or at the least that Germany will never settle down happily in the family of nations unless her colonial aims are fulfilled. If restoration of her colonies to Germany would really ensure the pacification of Europe, undoubtedly it would be well worth while for the mandatory Powers to make sacrifices. Considerations of their own prestige or of

any economic benefits that they gain from the colonies should not stand in the way of withdrawal. But would it be a business risk to take the chance? There is not the slightest guarantee that Germany would be satisfied merely by the return of her former colonies and would thenceforward be no longer a danger to peace. After all, she had those colonies in 1914, and was still complaining about being excluded from a place in the sun.

The mandated territory of New Guinea is of very great strategic value to Australia. It is on the direct route from Japan to the eastern states. In our own hands, even unfortified, its harbours and resources would be most useful to any force guarding the approaches to Australia. In the hands of a hostile Power it would enormously complicate the defence of Australia. Naval defence would be much more difficult, and the northern towns of Queensland would be within range of attack from the air. This aspect of the matter is clearly understood by the Australian public. In 1883, when rumours reached here that Germany was considering the annexation of part of New Guinea, public feeling ran high, and the Premier of Queensland sent a magistrate to New Guinea formally to annex the territory. To Australia's disgust Gladstone disavowed the annexation, Bismarck having informed Granville that Germany had no designs whatever on the country. Within a year the northern part of the territory had been annexed by Germany, and the failure of the colonial parliaments to influence the home Government was an important factor in the growth of the demand for federation. Further, it was the presence of German bases and cruisers in the Pacific that led, just before the war, to the establishment of the Australian navy.

The real reason for the seizure of the German colonies was to ensure the security of the Empire. Germany's presence in New Guinea before 1914 caused anxiety to Australia. Her presence there now, especially after her recent understanding with Japan, would be most unwelcome. And for that reason there is no doubt that the

Minister for External Affairs voiced the opinion of all except a very small minority when he stated in March 1936 that the surrender of Australian mandates was unthinkable.

III. Australia's Financial Position

THE financial position of the Australian governments continues to show improvement. The aggregate budgets of the seven governments showed a surplus of approximately £900,000 for the year ended June 30, even after the allocating of over £9,000,000 from revenue to the sinking fund. Perhaps in view of the possibility of an early election, which did not eventuate, remissions in taxation amounting to nearly £4 million were made in the last federal budget, yet, in spite of increased expenditure on defence and the ever-growing drain of old-age, invalid and returned soldiers' pensions, the Commonwealth finished the financial year with a surplus of over £1,270,000. The surplus, which was mainly due to the increased yield of direct taxation, has been received with mixed feelings. Critics have forcibly pointed out that the revenue this year was £1½ million in excess of the estimate and that in the last three years actual revenue has exceeded estimated revenue by nearly £10 million. Had the Treasurer's estimates been less conservative, it is said, he would have been forced to grant larger remissions of taxation, but by the device of under-estimating revenue he has been able to extract an unwarranted amount from the taxpayer. Certainly the Commonwealth collected some £12 million more in 1936–37 than it did in 1932–33. New South Wales has also shown a small surplus for the first time since 1927, the present Government having progressively reduced the state's deficit from the figure of over £14 million which it reached in Mr. Lang's last year of office.

The maintenance of wool values and the increase in the price of wheat have relieved anxiety about the state of Australia's funds in London. Exports of wool for the

nine months to March 31 increased by over £A6,000,000 in comparison with 1935–36, and those of wheat by over £A1,000,000. It is now estimated that the favourable trade balance for the financial year will be about £36 million sterling, as compared with £23 million sterling last year. Australia requires about £27 million sterling a year in London for debt services and other government charges, so this year there will be a substantial surplus.

Federal Basic Wage.

Recently the Commonwealth Court of Conciliation and Arbitration gave consideration to the unions' application for an increase in the federal basic wage. The federal basic wage is arrived at by a formula which provides for supplying the needs of a man, his wife and two children, and varies according to the Government Statistician's index of the cost of living. During the depression the Arbitration Court reduced the standard by 10 per cent., but with returning prosperity this reduction was cancelled. The Court has now added to the basic wage a sum of 6s., of which 3s. is to be given on July 1, 1937 and the additional 3s. on October 1, 1937.

Two matters of interest attach to the enquiry and to the decision of the Court. The first is that, during the enquiry, an economist, Mr. Reddaway, recommended to the Court that the opportunity should be taken to increase wages in order to check the emergence of boom tendencies. Secondly, the Court, when awarding 6s. as a prosperity allowance, has introduced a new feature, since in the past prosperity was not considered by the Court. It is, however, a natural corollary to the 10 per cent. reduction imposed during the depression, and generally there is a feeling of satisfaction that the Court has proved itself able and flexible enough to reduce the standard in a depression and increase it in times of prosperity.

Australia,
July, 1937.

SOUTH AFRICA

I. Race Relations and the Protectorates

THE problem of race relations—of the adjustments necessary to enable white men and coloured men to live side by side in peace and harmony as citizens of a common country—is the underlying theme, constantly becoming dominant, of South African politics. The last stages of the parliamentary session, which ended on May 17, were mainly concerned with certain aspects of this problem; the political campaigning to which the first part of the recess was devoted by many Ministers and prominent Opposition leaders had colour questions as almost its main theme; and now, with the return of General Hertzog from the Imperial Conference, the Protectorates issue has again been brought right into the foreground.

The last legislative measure of importance dealt with by Parliament was the Native Laws Amendment Bill. It was the third of General Hertzog's trilogy of Native Bills. Last year there were enacted the Representation of Natives Act to determine the political position of the Bantu, and the Native Trust and Land Act regulating their economic position in the reserves and other rural areas.* There remained a measure for the further regulation of their position in urban areas. The necessity of applying special measures of control to the native as a town-dweller has long been accepted in South Africa. The application of General Hertzog's principle of segregation appeared, however, to point to the further tightening-up of the

* See The Round Table, No. 100, September 1935, pp. 722–734; No. 102, March 1936, pp. 414–422; No. 103, June 1936, pp. 528–545; No. 104, September 1936, pp 851–853; and No. 105, December 1936, pp. 216–221.

existing legislative provision in this regard. This task had been held over until the present year.

The issues raised by the Native Laws Amendment Bill were interesting from two points of view. In the first place attention was directed to the fact that the Representation of Natives Act of 1936 had provided for the establishment of a Native Representative Council with statutory authority to examine and report to Parliament upon any legislative measure affecting the natives. This Council was in fact only elected after the end of the 1937 session. It was urged that pending its election the enactment of any legislation affecting the natives without reference to it was in the nature of a breach of faith. In fact it would have been difficult to establish the existence of even a moral obligation of the Government to hold up all legislation affecting natives until the Council was in being; but there can be no doubt that it would have been wiser if this particular legislation had not been forced through at this stage. The Government's action in doing so was open to misrepresentation, and much suspicion was engendered in the native mind.

In the second place the actual proposals contained in the Bill were severely criticised, and the prevailing atmosphere of suspicion facilitated such criticism. As a consequence the natives in general have come to regard it as a far more repressive measure than actually it is. In the main it is a sound piece of legislation, capable of defence from the natives' own point of view. It does, however, contain one clause to which strong exception was rightly taken. The purport of this clause is that any urban natives whose presence in the urban community is held to be unnecessary from the point of view of the white man's requirements may be removed from that community to a native area. The underlying principle of this clause, which treats the native as a means to an end and not an end in himself, is clearly unsound. Moreover, it does admit of being administered in such a way as to inflict real hardship on a

large number of people. It means that it will be possible for individuals and families to be uprooted against their will from an environment to which they have adapted themselves, and to be forced into one that is no longer their natural environment, in circumstances in which it may be most difficult for them to make a living. Yet, having regard to the machinery necessary to put it into operation, the clause would appear to be highly impracticable, and it is not likely that much use will be made of it.

The Native Laws Amendment Bill was passed in the teeth of determined opposition, though only from a small section. Its passage has undoubtedly had the effect of adding to the sense of unsettlement that prevails widely to-day among the native population of the Union.

The fact that a general election is due to take place about the middle of 1938 is already looming large in the minds of politicians and others, and as a consequence the recess so far has been marked by a more than ordinary amount of political activity. The various parties are obviously playing for position, and the Government in particular is making a big effort to consolidate its strength. The most powerful weapon employed by the Nationalist Opposition is the exploitation of colour prejudice. Such questions as mixed marriages, Asiatic penetration, the segregation of non-Europeans in the towns, the employment of European females by Asiatic shopkeepers, non-European students at the universities, are being skilfully exploited, and the Government, including as it does both a liberal and a reactionary wing, is sometimes hard put to it to counter attacks on these grounds. It is clear that fear of non-European development is a very potent emotion in the minds of a very large section of the European population of the Union, and that issues in which it is a factor will play a big part in Union politics during the next few years.

Against this background General Hertzog, newly

returned from the Imperial Conference, has raised the issue of the transfer of the Protectorates. The historical and constitutional background of this question has been dealt with fully in an earlier issue of THE ROUND TABLE.* It is not necessary to repeat what was written there, save to quote again section 151 of the South Africa Act, which in the light of recent events has assumed added importance:

> The King, with the advice of the Privy Council, may, on addresses from the Houses of Parliament of the Union, transfer to the Union the government of any territories, other than the territories administered by the British South Africa Company, belonging to or under the protection of His Majesty, and inhabited wholly or in part by natives, and upon such transfer the Governor-General-in-Council may undertake the government of such territory upon the terms and conditions embodied in the Schedule to this Act.

The most important development that has taken place since the ROUND TABLE article was written was the agreement reached in 1935 between General Hertzog and Mr. J. H. Thomas, under which the British Government promised to co-operate with the Union Government in "bringing about a situation in which, if transfer were to become a matter of practical politics, it could be effected with the full acquiescence of the populations concerned". From the conversations which then took place General Hertzog felt himself entitled to infer that the transfer would possibly occur after a few years, at least so far as one or two of the territories were concerned. His recent conversations with Mr. Malcolm MacDonald, however, have led him to believe that the British Government does not contemplate the achievement of transfer for some considerable time, and that very little has been done to secure the acquiescence of the native inhabitants of the territories. With this position he indicated his dissatisfaction before he left England, and on his arrival in South Africa he issued a considered statement which ended with

* No 96, September 1934, pp. 785 *et seq.*

an implied threat to invoke the provisions of section 151 of the South Africa Act—in other words, to secure the passing of addresses to the King by the Union Parliament asking that transfer might be made effective.

General Hertzog was himself at pains to point out that the consequences which would follow from such a step are incalculable—and indeed it is difficult to know what the constitutional position of the King, who must act "with the advice of the Privy Council", would be in such circumstances. Everyone will share in General Hertzog's hope that such a position will not arise.

The situation has not yet developed sufficiently to make a full discussion profitable at this stage. There are, however, one or two points that may perhaps be emphasised with advantage.

First, let it be recognised that the present position of the Protectorates is an anachronism. The inevitability of their transfer was recognised twenty-eight years ago when the South Africa Act was passed by the Parliament at Westminster, and since those days they have become not less but more dependent on the Union. There can be no question that they will in fact be joined with the Union—the only question is when.

Secondly, there is a very general impression prevailing in the Union that the Administration of the Protectorates and the British Government have not done all that could fairly have been expected of them to give effect to the agreement of 1935. That agreement meant, it is felt, that they would press forward a positive policy of encouraging the Protectorate natives to acquiesce in transfer; the policy actually pursued is regarded as one of drift. It is suspected that most of the officials in the territories are hostile to the idea of transfer and that their influence is not being exercised in the manner contemplated in 1935.

Thirdly, it must be emphasised that the trend of recent native legislation in the Union has not been such as to

encourage the inhabitants of the Protectorates to welcome incorporation. There is reason also to believe that leading Union natives, in the disgruntlement caused by that legislation, have been stimulating suspicion and hostility in the minds of their fellows outside the Union. This adds to the significance of the reception recently accorded to the Native Laws Amendment Bill.

Fourthly, it is very strongly held in the Union that the real interests of the natives in the Protectorates would not suffer from incorporation. The record of the British Government in respect of the government of these territories is not a good one—certainly a comparison between, say, conditions in the Transkei and those in Basutoland will not be to the discredit of the Union. This view is probably shared by most of those who stand for what may be called a " liberal " policy in the Union. It is true that many of them would like to see incorporation postponed, possibly because they perceive in the continued presence of the British Government, as a governing power in southern Africa, a possible lever towards securing the adoption of a more liberal policy in the Union itself. But there are others who desire such a policy in the Union no less fervently but would none the less wish to see the Protectorates transferred in the near future.

One final point remains to be made. It is clear that there are unpleasant possibilities in a conflict over this matter between the British and the Union Governments. It is, however, almost certain that a solution will be found which will obviate the realisation of these possibilities. General Hertzog is clearly anxious that such a solution should be found. He has no desire to quarrel with the British Government. At present the general relations between the two Governments are determined by friendship and mutual confidence, and while that is so the problem is certainly not insoluble.

II. South-West Africa

In April this year, the Union Government followed up its communiqué of December last * by a drastic proclamation dealing with the political activities of aliens in the mandated territory. It will be recalled that the South-West Africa Commission offered convincing proof of the extent to which Nazi activities were hampering the proper functioning of democratic government in the territory.† In its communiqué of December 1936 the Union Government made it plain that, whilst rejecting both the fifth-province policy, which was advocated by the majority of the territory's elected representatives and by one of the Commissioners, and the solutions offered by the other two members of the Commission, it was determined to secure conditions under which the existing constitution could be expected to work satisfactorily. Its first measure towards this end was the South-West Africa Proclamation of April 2.

This proclamation empowered the Administrator of the territory or other competent authority to declare "any body of persons to whom has been entrusted by law the performance of any public function" to be a public body, membership of which, or participation in any of its activities, would be forbidden, after a certain date, to any person not a British subject. The same provisions were to apply also to political organisations, and the date fixed in both cases was July 1, 1937. Further, in view of the frequent mention by Nazi elements in the territory of their allegiance to the German Reich, it was proclaimed that

> Any British subject, who within the Territory takes any oath or makes any affirmation or promise that he will be faithful or bear allegiance to or obey the order of (a) any sovereign or head of State other than His Majesty the King, or (b) the Government or any member or official of the Government of any state other than that of the Union of South Africa, or (c) any foreign political organisation . . . shall be guilty of an offence,

* See The Round Table, No. 106, March 1937, pp. 445–447.

† See The Round Table, No. 104, September 1936, pp. 772 *et seq.*

and liable to a fine of £100 or to imprisonment not exceeding one year or both. Finally, provision was made for the deportation of non-British subjects engaging in political propaganda.

In pursuance of this proclamation, the Administrator on April 17 declared the three political parties of the territory, the United National South-West party, the Economic League of South-West Africa, and the Deutsche Bund, to be political organisations. From July 1, therefore, no one who is not a British subject can be a member, office-bearer or agent of any of these three organisations.

The proclamation met with general approval in the Union. Dr. Malan, who the previous week had expressed the hope that South-West Africa would be permanently held by the Union, was unable to make any effective criticism of a measure that considerably increased the authority of the Union's representative in the territory. In South-West Africa, the proclamation was welcomed by the Union section, and by some of the German-speaking section whose wish to co-operate with the mandatory Power has been hampered by continuous external pressure and intimidation. To the Deutsche Bund, however, the proclamation and the subsequent naming of the Bund as a political organisation came as a severe shock, evoking defiant protests from its leader, Herr Neuendorf; for a large proportion of its members were unnaturalised Germans. In Berlin, too, as was to be expected, this determined attempt to clear the ring for constitutional government in the territory provoked angry resentment. A note of protest was despatched to the Union Government condemning the proclamation and questioning its legality as placing the German population in the mandated territory "under a special law within the general administrative regulations". Adding that the proclamation "must be considered as a combative measure against the Germans in South-West Africa", it urged the Union Government not to aggravate the existing tension by enforcing the

proclamation. General Hertzog made a firm and courteous reply indicating that the Union Government had no intention of withdrawing before protests and that it conceived the proclamation "to have been issued not in breach of the trust imposed by the mandate but in pursuance of its duty to carry out that trust". Since these official exchanges, it has been announced that Germany is to forward a memorandum on the subject to the League of Nations, and a petition to the Mandates Commission has been drawn up by Germans in the territory: the latter, however, is reported as unlikely to come before the Commission till next year.

On July 1 the proclamation became effective. The recent marked improvement in the economic condition of the territory, due chiefly to the revival in the diamond, base-metal and karakul industries, provides a favourable background for the attempt to restore political stability. The United party (which holds a majority of seats in the legislature) and the Economic League, containing as they do few members that are not British subjects, have had no need to readjust their organisation. The Deutsche Bund, however, has had to reorganise itself as the Deutsche Sudwestbund, and the naturalised Germans who form its membership have engaged themselves to respect the laws of the territory and their obligations as British subjects, whilst endeavouring by every legitimate means to maintain the interests of German language and culture. So far, so good. It remains to be seen whether the Nazi elements in the territory who refuse naturalisation will submit without further active opposition to their complete severance from political life in the territory. It is not to be supposed that Berlin and its agents in South-West Africa will remain for long inactive in a situation which thwarts the usual methods of Nazi infiltration. Indeed, late in April, there was a report that six hundred young Germans from the territory, calling themselves the "South-West African National Group" and vowing allegiance to Herr Hitler,

were receiving "vocational training" in Germany and organising a "Corporation of Patriots" to provide a basis for a German people's community in South-West Africa—in plain English, being trained for conspiracy in the mandated Territory. Again, though the principles of the new Deutsche Sudwestbund are impeccable, it remains to be seen how long these principles remain unimpaired by secret pressure and intimidation.

To sum up—it is clear that the proclamation was a necessary step: drastic though it is, it meets a situation that demanded drastic remedies; it has the backing of opinion in the Union and of a considerable proportion of the population of the territory; and, if doctrinaire democrats take fright at the idea of democracy adopting strong measures to defend its principles, the reply can be made that the only alternative, under existing conditions, to this attempt to make the constitution of South-West Africa work is to abolish it altogether, as the South-West Africa Commission advised.

A second step recently taken by the Union Government as a result of the report of its Commissioners fully vindicates its claim to have at heart the interests of the mandated territory. The report of the Commission laid emphasis upon the heavy strain imposed upon the finances of the territory by the annual payment, out of revenue, of interest due on loans made by the Union Government in the earlier years of the mandate. In the period from 1920 to 1934 these loans amounted to more than £3,500,000, and it was impossible for the territory to be solvent when the constant deficits due to interest payments had to be met by fresh borrowing from the mandatory Power. Now, as a result of consultations between the Administration and the Union Government, a new era has begun in which, granted a continuance of improved economic conditions, the financial stability of South-West Africa is likely to be assured. The Union Government has agreed to place in a suspense account the full amount of the loans made by

it to the territory before March 31, 1937. The Administration of the territory will be relieved of payments on such loans, until its finances improve sufficiently to allow of their being made. The creation of this suspense account for past loans is not, however, to preclude the raising of loans in the future from time to time, with the consent of the Union Government, for development work of a reproductive nature. In return, the Administration of the territory guarantees for the future to balance its budgets by the raising, if necessary, of extra taxation, and to pay to the Union Government, in reduction of capital debt outstanding, all net revenue in excess of £100,000 accruing in any financial year from the diamond export duty, together with one-half of the yield of the profits duty on diamonds in excess of £50,000. The diamond revenue amounts this year to £60,000 net, and no yield is expected from the profits duty for some years to come. There is therefore no immediate prospect of any contribution from these sources. These are wise and generous arrangements. To have written off the accumulated debt would have meant final loss to the Union taxpayers and encouraged financial irresponsibility in the territory. As it is, South-West Africa gains a breathing space in which to set its finances in order, whilst the Union can look forward to some ultimate return on its money from financial equilibrium and the growth of prosperity in the territory.

Taken together, the proclamation and the new financial arrangement represent a constructive effort by the Union Government to remedy two of the chief ills diagnosed by the South-West Africa Commission. There is reasonable ground for hoping that they will have sufficient success to justify the Union Government in its decision to leave the constitution of the territory unaltered.

SOUTH AFRICA

III. The Imperial Conference

GENERAL HERTZOG and Mr. Havenga are back from the Imperial Conference, but so far both have refused to say anything about the work done there, though the Prime Minister has announced that during the next few weeks he will make a formal statement. To tell the truth, interest is not painfully keen anywhere in the Union. Knowledgeable folk are used to these conferences in London, with their extreme reticence about the work afoot, while it is being done and for some time afterwards, followed by the gradual emergence of results. They take it for granted that Dominion representatives at them must watch their tongues pretty carefully, and are content to await tangible effects all in good time.

In financial circles, this patient waiting has been put to a considerable strain. Rumours about the future of gold drove the price of gold shares down to depths that would have seemed ridiculous a few months since. One or two observations let fall by Mr. Havenga had suggested that he would work at the Imperial Conference for a new gold stabilisation agreement. Even if this had involved a fall of the current gold price by, say, ten shillings an ounce, that would have been preferable, in the eyes of the gold producers and of share market operators, to the present uncertainty. It is understood that Mr. Havenga did his best at the Conference and was not far from success. But he did not succeed; uncertainty continues; and South Africans would be glad to be told why stabilisation turned out to be impossible. Even so, prudent investors fully understand that gold mining dividends, at least from mines that are solid producers and have a reasonable length of life, are unaffected by rumours and could be maintained at little less than their present level even if gold were stabilised at a point lower than the current rate. It is taken for granted that, if stabilisation could have been arranged as a side activity of the Imperial Conference, it would have

been arranged; most people are now content to wait, in the hope that the preparatory work towards stabilisation, done at the Conference by Mr. Havenga in conjunction with British financial experts, will bear fruit in time.

Otherwise, views of Imperial Conference results are hazy, largely because the information available is so indefinite. The official Summary of Proceedings has not been cabled in full for publication here, though the text of the report on foreign policy has been published *verbatim*, for what it amounted to. There is tepid acquiescence in the suggested revision of emphasis on the sanction clauses of the Covenant, combined—so far as judgment can be founded on hardly articulate public opinion—with considerable scepticism about the possibility of refurbishing the League as an effective instrument for the preservation of international peace. Defence, as the Union Government announced before the Conference met, was not considered a necessary subject for commitments by its delegates to the Conference, Mr. Pirow's recent visit to the United Kingdom being held to have covered all the necessary ground. It would hardly be correct to say that this official view meets with any enthusiastic assent from thoughtful people here, but defence is obviously a matter for experts. Both the United Kingdom and the Dominions have again recorded their view that each member of the Commonwealth must undertake its own self-protection; the evolution of Commonwealth types of armament, equipment and staff training is already accepted in Mr. Pirow's scheme. That, common sense suggests, is about as far as it is possible for South Africa to go at the moment.

Imperial Conference vagueness on two other specific matters leaves South Africa, not exactly impatient, but wishing for information as soon as information can be given. What progress was made with the plan for an economic agreement between the Empire countries and the United States? Was it found possible to reconcile that project—eminently desirable, as everyone thinks—with

the Ottawa pacts? If so, what will be the effect on British and other Dominion preferences to South African products? Will one of these effects be a new bilateral agreement between the Union and the United Kingdom? That has been rumoured. Will such an agreement, if it is being negotiated, end the subsidy to Italian shipping? It is still much resented, has apparently been almost wholly ineffective in promoting Italian purchases from us, and ought to go if it is standing in the way either of an Anglo-American accord or of a new system of Commonwealth trade pacts ancillary to such an accord.

Again, what about the German desire for the return of her colonies? Did the Imperial Conference reach any conclusions there; and, if so, what conclusions? But these anxieties, though they are in the undercurrent of South African public opinion, seldom come to the surface. In time, no doubt, events will show what the Imperial Conference did in relation to them. Till then, there is nothing for it but to wait as patiently as may be.

On one comparatively minor subject the Imperial Conference did reach a decision about which reticence was not considered necessary; and there the publication of its conclusions has had a remarkable effect in South Africa. Before the Conference began, and while it was sitting, there was much sporadic perturbation in various Union centres about the definition of "British subject". The Prime Minister made rather a crudely worded reference to it just before he sailed for the Conference, and the utmost advantage was taken of his remarks by mischief-makers who persuaded themselves and succeeded in convincing others that, if he had his way at the Conference, South Africans would be deprived of their status as British subjects. Indignation meetings were held in Johannesburg and Natal and angrily worded messages were despatched to the Prime Minister while he was in England.

A reassuring statement by General Smuts, who endeavoured to explain that the Prime Minister did not want

to rob anyone of his status as a British subject, but was merely hoping to have the current confusion of mind on the meaning of British subject and South African or any other Dominion national cleared up, fell on ears deafened by prejudice, ignorance and excitement. A semblance of justification was given to the agitation by an article by Professor Berriedale Keith, which appeared in an English morning newspaper and was reproduced *verbatim* in various South African journals. Leading articles in various papers correcting Professor Keith's views and exposing his misunderstanding of the subject were derided as servile attempts to cover up General Hertzog's anti-British machinations.

It was all rather absurd; but the fuss was considerable. The Imperial Conference resolution, defining British subject once and for all as a subject of the King in whatever part of the Empire he or she might live, and clearly explaining what a Union or any other Dominion national is, killed the controversy stone dead. To all appearance, the last has now been heard of it, even from the hottest gospellers of the Dominion party.

The only other local " reaction " to the Imperial Conference at the moment is a rather tentative attempt by the " Malanites " (Opposition Nationalists) to revive the ancient grievance about Union Ministers wasting time by visits to London and neglecting meanwhile the urgent needs of indigent white South Africans. The attack is not, however, very serious, even its sponsors seeming to realise that that cat will not jump high nowadays, particularly as the prosperity of the country is manifest, and government help to the white population's wants has been for some years past so lavish that it could hardly have been surpassed if the Malanites themselves had been in power.

Union of South Africa,
July, 1937.

NEW ZEALAND

IN the past three months there has been no legislation in New Zealand. Accounts of the Imperial Conference have been published mainly in the form of hearsay journalists' reports; these, and the rather bald official summary, have aroused no particular response in this country, and announcements of policies to be adopted as the result of the Conference will presumably be deferred until the Prime Minister's return. As to domestic matters, it is known that health insurance and superannuation schemes are under consideration, but the Government has given little precise indication of its legislative plans for the session due to begin in August. The period under review has been one of political consolidation, and of detailed administration. On the one hand, the two political parties have carried through some important steps in reorganisation. On the other, the development of Government schemes gives an increasing amount of evidence on which to base an objective judgment of Labour's record.

I. The National Party

IN the view of Mr. Hamilton (the new leader of the National party) the contrast between Labour unity and anti-Labour confusion accounts for the Labour victory in November 1935.* "We put them in ourselves", he said. "They secured control because the other parties failed in their organisation." However, with the shock of defeat, the reorganisation of the anti-Labour forces has been put in hand. A conference held in Wellington on May 13

* See The Round Table, No. 101, December 1935, p. 202, and No. 102, March 1936, p. 426.

and 14, 1936, swept away the remains of the United and Reform party organisations and set up a new party, the National party, with a new constitution and new organisation. The constitution, it is claimed, is " probably the most democratic of any party in the world ". Its basis is the body of party members in each electorate. They choose their own parliamentary candidate and also the electorate committee, which in turn sends delegates to divisional councils and to the party conference. The conference includes also the party's members of Parliament and representatives from women's and junior organisations. The conference chooses the president and other officials, and elects the Dominion council, which administers the party's affairs. The members of Parliament elect their own leader.

This constitution was framed in May 1936. Since then, we are told, " solid progress " has been made in organisation throughout the country. So far, however, the party's policy has not been formulated. It is stated in the constitution in general terms : " To unite all men and women of good will who are unswervingly loyal to His Majesty the King ", and who, realising the advantages accruing to New Zealand from membership of the Empire, desire to promote the Empire's political and economic unity ; " to formulate and carry out policies designed to benefit the community as a whole . . . to pursue a policy of progressive social and humanitarian legislation ". But there are great difficulties in the way of drafting a detailed programme. The National party aims at including all those opposed to the present Government. But Labour's opponents have many different ideas and interests, and they are apt to disagree when positive action is to be decided upon. Unity, says Mr. Hamilton, was threatened over the choice of a leader, and it may be threatened again over the framing of a policy. Accordingly, all the party's supporters have been asked for suggestions, so that the members, not the leaders, will decide the policy. Mr. Hamilton hopes

that the ultimate result will " be as far as possible mutually satisfactory to the farmers' unions and to the chambers of commerce ", and that " farmer, business man and worker will all be catered for ".

Presumably the National policy will be defined at the conference to be held in August next. Meanwhile, however, some information as to the party's basic ideas has been provided by the speeches of Mr. Hamilton and his followers during a recent campaign throughout the country. Mr. Hamilton has promised " a stand for private enterprise, personal responsibility, and individualism . . . and the preservation of existing society ". He argues that Cabinet Ministers should be chosen from the community of business men. They are " the most responsible section " of the people; they have shown their capacity to manage New Zealand by coming to the front in the world of private enterprise; and they have been trained to govern in " the school of business management and hard work ". By contrast, Labour members have shown their lack of competence to govern New Zealand by failing to be " selected to manage businesses ". This business men's Government would be supported by " responsible people " of all classes, especially by the farmers, " whose natural alliance was with the business man and professional man of the city ", and as far as possible it would be guided by the classical principles of *laissez-faire*. It seems clear that, in Mr. Hamilton's view, a Government's function is to " maintain law and order ", not to conduct businesses (except in certain exceptional cases, such as the post office). The country's economic life should be left to the play of economic forces, and to the wisdom of business men and farmers. Government interference, though sometimes necessary, is evil, whether in the form of taxation, of regulation, or of direct management. Such are the main ideas of the National party, as explained in outline by its official spokesmen.

II. The Labour Party

FOR many years the Labour party has had a solid organisation throughout the country. It has a twofold basis of membership: "ordinary" members, who accept the party's policy and organise themselves in branches, and "affiliated" members—that is, the members of workers' organisations (normally trade unions) which accept the party's policy and affiliate with it. ("By 'workers' is meant any person who performs social service by hand or brain.") Branches and affiliated organisations send delegates to a Labour Representation Committe (L.R.C.), which is the main organising body in each electorate. The work of these L.R.C.s is co-ordinated by divisional councils (one representative from each electorate, appointed by its L.R.C.) and by the national executive. The "supreme governing authority" of the party is the conference which meets each Easter, and at other times in cases of emergency. It is composed of two delegates from each L.R.C., and of delegates from branches and affiliations in proportion to the membership of each. It elects the party's president, vice-president, and secretary, and also the national executive, which "shall act for the party when conference is not in session". Candidates for parliamentary elections are chosen from an "approved list", which is recruted from names sent up by branches and affiliations, subject to veto by the national executive. Candidates for particular electorates are chosen from the approved list by a ballot of ordinary and affiliated members resident in the electorate. The party is financed by a subscription of 2s. 6d per year from each ordinary member, and by a fee of 1s. per member per year paid by all branches and affiliations.

If this constitution is compared with that of the National party, it will be seen that on the whole the Labour organisation is more solid. It gives greater power of discipline and control to the national executive, and (as regards parliamentary candidates) it imposes the caucus pledge:

"that if elected to Parliament, I will vote on all questions of policy in accord with the decisions of a majority at a duly constituted meeting of the parliamentary representatives of the party". At present, too, leadership is strong and determined. According to the constitution, supreme power in the party is vested in the annual conference. In practice, however, the conference is an unwieldy body (in 1937 there were over 500 delegates), and its work is inevitably guided to a considerable extent by the executive. Further, the present Cabinet has claimed a remarkable degree of independence. Mr. Fraser (Acting Prime Minister) plainly told the Easter conference that its resolutions were not binding on the Government, but were expressions of opinion, to be acted upon or not at the Government's discretion. "The final word lay with the Cabinet, after consultation with caucus and the party's national executive. The Labour party, as Government, was now responsible for the welfare of the whole community." * This claim was accepted by the conference. No doubt there were some who criticised such acquiescence, and the conference may yet assert its claims, particularly if hard times come again, or if a strong radical movement should develop among the rank and file.

New possibilities for such a movement have been opened up by an important recent development in trade union organisation. In this country trade unionism has spoken with many voices, which have often been discordant. As recently as the beginning of this year two prominent union leaders conducted a violent controversy against each other in the conservative press. This was perhaps the final incident that stimulated a strenuous attempt to give the whole trade union movement some national organisation and national unity of policy. The task was undertaken at a "National Industrial Conference" held in Wellington in April, 1937; and we now have a

* The *Standard*, April 8, 1937. The *Standard* is the "official organ of the New Zealand Labour movement".

new "New Zealand Federation of Labour", combining the industrial unions of the Alliance of Labour with the craft unions of the Trades and Labour Councils.

If this Federation succeeds in co-ordinating and directing trade union policy, it will be of first-class importance in the political and economic life of the country. However, time alone will show whether it will succeed in healing old feuds and reconciling personalities that have often been antagonistic. The constitution merely gives an opportunity which may not be taken. It provides for local trades councils representing all unionists in each district. It sets up also a conference and national council, which will co-ordinate the work of district councils with that of nation-wide unions, which it is hoped will become the normal form of trade union organisation. The constitution is nevertheless strictly federal. Each union is to retain "full self-government over its own industrial affairs". Thus the situation is fluid, and Labour's policy may be profoundly influenced by the Federation's success or failure.

Even if the Federation succeeds to the uttermost, it does not necessarily follow that Labour's policy will become more "extreme". For one thing, the thousands of new members recently recruited to the unions are not necessarily a source of strength. Many of them are fair-weather friends. Many more are members simply as the result of legal compulsion. Such men may in time become keen unionists. At present, they tend rather to "dilute" the militants and so to accentuate the tendency for unions to concern themselves primarily with problems of hours and wage rates rather than with socialism. Ultimate objectives are apt to be forgotten through preoccupation with the details of industrial legislation, and unionism tends to become in practice a defender of the present order. It will be easier to organise the Federation along these lines than as an instrument of militant socialism.

III. Housing

DURING the past three months the Government's housing scheme has emerged from the mists of controversy into the field of practice. Many houses are nearly completed. Rents have been announced. Lists of applications for the first batch of houses have been closed. Most, though not all, of the essential information about methods and plans has been published. It becomes possible, therefore, to give some kind of preliminary judgment on the scheme as a whole.

The first point which stands out is that the housing scheme originated in an acute shortage of houses throughout New Zealand. No one knows the extent of that shortage, nor will exact knowledge be available until a proper housing survey has been carried through. Such a survey was provided for by an Act passed in 1935 by the Coalition Government, and it is now proceeding. Meantime no one questions that a shortage exists; the only question has been how it might best be remedied. Some said that the work should be left to private enterprise, which would be stimulated to adequate activity by high and rising rents. The Government rejected this plan. According to Mr. Lee (Parliamentary Under-Secretary in charge of Housing), private enterprise has never been able to provide adequate housing. Throughout the world today, he says, housing schemes are being carried through under government stimulus and financed by government money—for example, in Great Britain, where municipalities are building houses with money on which the net rate of interest is 1 per cent., this being the effect of government subsidies. As for New Zealand, Mr. Lee says that about 20,000 houses have been built since 1926, of which "at least 15,000 have been built with state money".

To Mr. Lee, then, it was clear that the State must help energetically in the solution of the housing problem. Further, existing methods were inadequate. In spite of

state encouragement, building during 1936 had not reached pre-depression levels. There was a prospect, too, that even this inadequate revival might be checked in the near future by world-wide rises in costs. Finally, home building through state advances has definite disadvantages. It is of comparatively little use to the wage-earner: and, says Mr. Lee, it is economically unsound in that it leads individuals to compete against each other with state money for land and materials. Such considerations, then, led the Government to decide on direct action: it would build the houses itself, and at once, and rent them to workers.

The financial arrangements, the preliminary steps, and some of the preliminary criticisms have already been noted in THE ROUND TABLE.* Meanwhile, the activities of the Housing Department have been felt all over the Dominion. Mr. Lee's own account † of the creation of that Department has an epic quality. One cannot but admire the combination of furious energy and scrupulous attention to detail which within a few weeks created a new department of state out of nothing at all. Mr. Lee set out to produce houses, not merely to construct a machine that would build houses during Labour's next period of office. This meant haste, and with haste mistakes which will be avoidable in the future. It meant also that the Department could not hope to build the houses itself. To begin with, at least, it must content itself with letting the work on contract, that is, with using the existing machinery of the building and allied industries. This had the practical advantage of avoiding an immediate collision with these powerful interests. Mr. Lee hopes that in time workers' unions may be able to tender for contracts on a competitive basis and do an increasing proportion of the work: tenders for some state houses have actually been submitted by a co-operative organisation of Wellington

* No. 105, December 1936, p. 225; and No. 107, June 1937, p. 685. See also *New Zealand Official Yearbook*, 1937, p. 445.

† *Standard*, March 11, 1937.

carpenters and joiners. Meanwhile, however, the Housing Department supervises in a minute and efficient manner the activities of the capitalist firms that are carrying out the State's housing schemes.

On May 24 the rentals of the new houses were announced. They range from £1 per week for a three-roomed flat to £1 13s. 6d for a six-roomed house, subject in each case to 2s. 6d rebate for good tenancy. This rent is supposed to include provision for repairs, interruption of tenancy, etc., and also for repayment of the capital cost during the estimated life-time of each house. These rents were higher than some had expected. But Mr. Lee says that he could easily find 20 tenants for each house available, and that applications for houses have been more numerous after than before the announcement of the rentals.

The demand from prospective tenants is so keen that, for the present, state and private building can proceed side by side without serious mutual interference, except that both compete for a limited and inadequate supply of skilled labour. At first there was fear that state rentals might be fixed so low as to make private building unprofitable. In the view of persistent critics it is now clear that this will not be the case, and private building, which fell away when the housing scheme was first announced, has since partially revived. In short, so long as it does not undercut private rents too seriously, the State can build many thousands of houses and rebuild many congested areas before the falling-off of demand will compel it to decide the relations between the state and private building industries. Mr. Lee, however, hopes that 2,500 houses will be finished by the end of this year, and that thereafter construction may proceed indefinitely at the rate of 5,000 or more per year. Activities on such a scale will some day force the State to decide deliberately whether or not it will undertake the responsibility of providing *all* the housing that may be necessary. By that time, too, the State, as a landlord on a huge scale, will be faced with other

problems: with defaulting tenants, for example, or with tenants' associations organised to demand concessions on the eve of an election.

Mr. Lee refuses to be daunted by such problems. For the present his department can proceed under full pressure without having to undertake all the housing construction in New Zealand. Discontented tenants need cause little trouble while hundreds of would-be tenants are clamouring at the door. Again, the law is to be altered to provide simplified Court procedure against defaulters, and to arrange that rent due to the State may be deducted at the source from a defaulting tenant's wages. Mr. Lee is confident that in normal times the State Advances Corporation (which will manage this side of the business) will have no difficulty in administering the new houses as a sound business proposition. If pressed, he might admit that another depression like the last would throw thousands of houses back into the State's hands. But in the view of his Government that depression was due to a policy of deflation: and they hold that if any future Government follows such a policy it deserves all the trouble it may meet from tenants or from anyone else.

To sum up: the state housing scheme arose from a practical necessity, as seen by a Government pledged to action. Its progress suggests that the technical problems can be solved and that the State can provide houses of good quality, and let them at rents which are popular but not so low as to dislocate existing housing schemes and private enterprise. Yet, as the scheme develops, it will raise difficult questions of broad policy, and may well lead the Government to a further extension of state activity and control.

IV. Guaranteed Prices

MUCH the same might be said of the guaranteed price for dairy produce. That scheme, says Mr. Savage, has a practical basis—the pressing need to save farmers

from bankruptcy—and it has nothing to do with the socialisation of means of production. And, as things stand, the scheme has definitely benefited dairy farmers. For example, they have received an assured price throughout the present season, including the period when London market prices were well below the level corresponding to the pay-out in New Zealand. Again, the scheme brought about a reorganisation of marketing in England, on the basis of preparatory work done in earlier years. In February last, when the price of butter was low, the Primary Products Marketing Department was roundly blamed; but it is now generally admitted that the new system of marketing in England is a great improvement on old methods, and that it commands the support of the London merchants. Such facts are realised, but many difficulties have emerged in the working of the guaranteed price plan, and there is no lack of suggestions for its improvement.

One of the most awkward of the problems that has come to the front during the present season is that of the relation between the cheese- and butter-producing sections of the industry. The guaranteed price was calculated to give the suppliers of the average cheese factory 1½d per lb of butter-fat more than the suppliers of the average butter factory, who can retain the skim milk for farm purposes; but on actual results up to the present it seems likely that many of them will not receive this premium in full. Further, London prices during the year have been less favourable for butter than for cheese, with the result that the butter account will probably close with a deficit, and the cheese account with a surplus. Consequently those interested in cheese feel that they are being penalised in favour of the butter-makers, and during the autumn season a number of "dual-plant" factories actually changed from cheese to butter. If such a change became general it would be disastrous for the industry as a whole, in view of relatively good prospects for cheese-marketing in England. This

situation illustrates one kind of difficulty which may be expected to arise from a scheme of guaranteed prices. If the cheese factory supplier is sufficiently discontented the only ultimate answer is a further extension of government control. For the present, however, the Government hopes to have met the cheese position by increasing next season's margin to 2d per lb of butterfat.

Meanwhile, the broad and very complex question of the relation between the guaranteed price and the other parts of the Government's policy is raised by repeated demands that pay-outs should be substantially increased in order to enable the farmer to bear the increased costs brought about by the Government's own action. It is, in fact, not questioned that costs are rising. The increasing cost of living affects farmers, like everyone else. Prices of farming machinery and materials are increasing. In cheese and butter factories, industrial legislation and union agreements have increased operating costs. Finally, the wages of farm labourers have been fixed and standardised. In the past every effort to achieve this through the Arbitration Court has been defeated. In 1936, however, the Agricultural Workers Act set out the minimum rates of wages for workers on dairy farms. The wage rate is linked with the guaranteed price; for the present it is for adults £2 2s. 6d per week *plus* keep.* The Act provides also that minimum wage rates may also be fixed in other branches of agricultural industry, after consultation with the employers and workers concerned. Such an extension has now taken place. After long negotiations between the Farmers' Union, the Sheep-owners Federation and the New Zealand Workers' Union, an agreement was reached and by order-in-council has become law. Briefly, workers on wool, meat, and grain farms are to receive the same wages as dairy farm workers (£2 2s. 6d per week with keep) until July 31 next. At that

* See THE ROUND TABLE, No. 105, December 1936, p. 231; and an article by E. J. Riches in the *International Labour Review*, March 1937.

date the guaranteed price comes up for revision, and with it the wages of dairy farm workers. If they receive an increase, it will be shared by those covered by the new agreement, up to a maximum wage rate of £2 5s. od per week for adults. The rates to be paid after August 1938 will be decided by the Government after further negotiations next year.

Facts are not yet available on which to judge accurately the net increase in farmers' costs brought about by these various factors,* accentuated as they are by the rise in oversea price levels, but farmers urge that the increase is substantial. They complain that during the present period of high prices they are prevented from accumulating reserves, while costs are being fixed at boom levels so rigidly that when oversea prices fall the necessary adjustments in costs will be difficult or impossible to make. The moral drawn by farmers' organisations is that the guaranteed price for next season should be a very substantial increase on that for 1936–37, and that the Government should give the farmers a retrospective payment to cover "the heavy increase in farming costs" during the season that is just closing. There is, then, a strong demand for an increase in the guaranteed price at a time when there is a prospective deficit on the first year's operations of the scheme. This situation raises a fundamental question. Is the guaranteed price to be a means of subsidising the dairy industry, or does it merely aim at price stabilisation? This question will soon have to be answered, but the decision will be a difficult one to make. In spite of an ambiguous phrase used in the budget speech, it seems that Mr. Nash's idea was stabilisation, not subsidy. There is the same suggestion in an important statement made by the Minister of Agriculture on June 23. "We cannot go on raising the guaranteed price again and again", he said,

* See report of Guaranteed Prices Investigation Committee, published on May 25, 1937. The current guaranteed price includes a certain allowance for estimated increased costs. There are certain indications that the increase in costs has often been exaggerated.

"but having once arrived at a fair price to pay for dairy produce we must turn our attention to cutting costs". And he gave suggestions concerning how this was to be done: by reducing interest rates and the prices of fertilisers, by rationalising methods of production, and by further development of the zoning system.

This statement gives valuable evidence that the Minister is alive to one of the most urgent problems of the dairy industry. All the same, the present situation shows clearly enough some of the political and economic difficulties of the guaranteed price policy.

V. A Planned Economy?

MR. SAVAGE has repeatedly repudiated any intention of interfering with private enterprise so long as private enterprise is functioning efficiently and giving good service. It is time for the Government to act, he says, when there is inefficiency or when any industry gets into difficulties. In such cases the Government will take responsibility for remedying the situation, either by re-organising private enterprise on a satisfactory basis, or by providing the necessary services itself.

This is not an unfair summary of the Government's attitude, but it must be admitted that in their view there are many examples of inefficiency in industry and marketing. A wide range of activities has been subject to enquiry or regulation. Some new government monopolies are in prospect, notably in transport, and drastic reorganisation as the result of government action seems likely in the taxi trade, the fruit industry, and marine fisheries. The marketing of onions and bacon has been subject to state regulation. So has the white pine industry, and the importation of citrus fruits. Further control of honey marketing has been suggested, and a plan for the revival of the flax industry has long been under discussion. The list might be extended. There is every indication that private enterprise is to be

regulated more and more. To an increasing extent, too, the State is taking an active part in the economic life of the country. It owns land, holds mortgages, and is by far the biggest employer of labour. It markets goods, operates important insurance and trustee businesses, and controls directly or indirectly the Reserve Bank and the biggest trading bank (the Bank of New Zealand).

In attacking economic problems, and in extending the scope of state activities, the Labour Cabinet has carried further the tradition established by its predecessors, which is in fact part of a world-wide tendency.* But nowadays so much power rests in the Government's hands that the question of objectives is inevitably raised.

The objective of the Labour party is plainly stated as " socialisation of the means of production, distribution and exchange ". This is to be obtained by " the conquest of political power by constitutional means; the extension of the organisation of the workers in industry, together with the co-operation of all who render social service, to the end that society may be controlled in the interests of all the people ". Alongside official objectives should be placed recent decisions by the party conference, and also statements of policy by leaders. For example, last Easter a small minority invited the conference to re-state the objective in these terms: " That the objective of the party is the overthrow of capitalism and the establishment in its place of socialism, meaning by socialism the public ownership of all sources of wealth and exchange, co-operatively controlled by the workers engaged therein ". This proposal was rejected " by a very large majority ". And by 487 votes to 14 the conference refused to grant affiliation to the Communist party, on the ground that " Labour doctrine was for constitutional and democratic action and communism stood for revolutionary violence and dictatorship ". In official statements on policy there is some confusion. The National President told the party

* See Report of Director, International Labour Office, 1937.

conference last Easter that socialism is being carried out; but Mr. Savage has repudiated with some warmth the suggestion that some of his party's measures were steps in the direction of socialism. He said that they were business-like and sensible measures to meet immediately pressing problems, and added that " the socialisation of the means of production will look after itself if we face the current problems in an intelligent fashion ".

In view of such contradictory statements it is best to take as basis for judgment policies that have been actually carried out or formulated in detail. Of such policies, state housing and guaranteed prices are typical. Study of them suggests that we are heading for a " controlled economy ", but makes it hard to believe that the Government has been working on a coherent plan with a clear-cut conception of the new order. However, difficulties that have arisen may compel the hammering out of such a plan. To give one example only—the rising cost of living threatens to take from the wage earner most or all of the benefits recently conferred on him. This challenges the Government to exercise control of a kind far wider than at present it seems to contemplate. In short, the present position suggests that, unless the Government is willing to witness passively the frustration of some schemes actually launched, it must be prepared to fight for the success of its policy by facing the difficulties of a planned economy, and trying to meet them in advance. It may be that these difficulties are insuperable, but success cannot even be hoped for unless the necessary research and planning are put in hand at once. It seems that some Ministers and civil servants are thinking along these lines, but the attitude of the Government as a whole is still in doubt.

New Zealand,
July, 1937.

APPENDIX

The Imperial Conference, 1937: Summary of Proceedings

Certain passages have been omitted from the official text, which is contained in Cmd. 5482. These omissions are clearly indicated. Apart from this, at no point has the text been altered in any way.—Editor.

I. Preliminary Note

[*Omitted*]

II. The Coronation

THE Conference met on the morrow of the Coronation of a new Sovereign. In the speeches at the opening Plenary Meeting of the Conference on May 14 reference was made to the lasting character of the foundations of the British Commonwealth of Nations as laid down at the Imperial Conference of 1926, and the Delegates declared their faith in the principles of liberty and co-operation under the Crown as the inspiration of the Commonwealth relationship and as the guiding principles of all their deliberations. There was general recognition of the significance of the Coronation ceremony and it was noted that, as a result of communication between the Governments concerned, the forms of the Coronation Service had been adapted to accord with the new constitutional relationships. Reference was made in particular to the significance of the changes in the Coronation Oath, the first paragraph of which as taken by King George VI reads :—

> Will you solemnly promise and swear to govern the peoples of Great Britain, Ireland, Canada, Australia, New Zealand and the Union of South Africa, of your Possessions and the other Territories to any of them belonging or pertaining, and of your Empire of India, according to their respective laws and customs?

The position may be summed up in the words of Mr. Mackenzie King :—

> . . . Particularly significant was the new form of the Oath by which the King solemnly declared the sense in which he has accepted the Crown. For the first time

South Africa, New Zealand, Australia, Canada are expressly named. His Majesty thus records that sovereignty is to be exercised in the interest of the peoples of Canada, and the other countries set forth, according to their own laws and customs. For the first time in this great ceremony it was recognised that the relationship between the King and his people of Canada is direct and immediate. The Oath has long embodied the principles upon which our system of democratic governance is built. It now recognises that the relationships of the several peoples under the Crown, one with another, as well as with foreign states, have become interpenetrated by the ancient principles of freedom and the rule of law. Thus it may be said that the new Oath, preserving the old and finding place for the new, embodies in simple fashion our political faith, and mirrors the structure of this group of free, equal and autonomous states known as the British Commonwealth of Nations.

III to VIII

[These sections refer to the Loyal Message and His Majesty's reply, the opening statements, the arrangement of the work of the Conference, publicity arrangements, His Majesty's birthday, and the death of Sir Robert Borden.]

IX. Foreign Affairs

At the Plenary Meeting of the Imperial Conference on May 14, the Chairman made the following statement in the course of his opening speech :—

> Though we shall discuss other important subjects, we are agreed that questions of foreign affairs and defence shall be our main subjects. It is fitting that they should be. For we are met at a time when the international situation is difficult and even threatening, and the responsibility rests upon us to see that our deliberations not only are of service to ourselves but also may help in some measure towards the solution of those international problems which are now perplexing the world.

Similar views were expressed by other speakers. . . . A series of meetings, of which the first took place on May 19, was devoted to the consideration of various aspects of foreign affairs under the heads of the general international situation including the League of Nations, the European situation, and the Pacific and the Far East.

On behalf of His Majesty's Government in the United Kingdom, the Secretary of State for Foreign Affairs made comprehensive statements under all these heads. He also kept the Conference informed of the current international situation. Statements as to the views of their respective Governments were made

by the Prime Ministers of Canada, the Commonwealth of Australia, New Zealand, and the Union of South Africa, and by the Marquess of Zetland on behalf of the Indian Delegation. General appreciation of all these reviews was expressed. The statements on behalf of the Delegations were followed by full and frank discussion, and it was agreed that the exchange of views, especially at the present juncture of international affairs, was of great value to the representatives gathered at the Conference. During the discussions emphasis was laid on the importance of developing the practice of communication and consultation between the respective Governments as a help to the co-ordination of policies.

The Conference recorded the results of its deliberations on the subject of foreign affairs in the following statement:—

The representatives of the Governments of the British Commonwealth of Nations gathered in the Conference, have in the course of their proceedings had an opportunity of exchanging views upon foreign affairs and the international situation as it affects their respective interests and responsibilities.

While no attempt was made to formulate commitments, which in any event could not be made effective until approved and confirmed by the respective Parliaments, the representatives of the Governments concerned found themselves in close agreement upon a number of general propositions which they thought it desirable to set out in the present statement.*

Thus they agreed that for each member of the Commonwealth the first objective is the preservation of peace. In their view the settlement of differences that may arise between nations and the adjustment of national needs should be sought by methods of co-operation, joint enquiry and conciliation. It is in such methods, and not in recourse to the use of force between nation and nation, that the surest guarantee will be found for the improvement of international relations and respect for mutual engagements.

Holding these views and desiring to base their policies upon the aims and ideals of the League of Nations, they found themselves unanimous in declaring that their respective armaments will never be used for purposes of aggression or for any purpose inconsistent with the Covenant of the League of Nations or the Pact of Paris. At the same time, being impressed with the desirability of strengthening the influence of the League by the enlargement of its membership, they united in expressing the

* It was understood and agreed that nothing in this statement should be held to diminish the right of His Majesty's Governments in the United Kingdom, Canada, the Commonwealth of Australia, New Zealand and the Union of South Africa, and the Government of India to advocate and support their statements of policy as submitted to the Assembly of the League of Nations in September 1936.

view that this object would be facilitated by the separation of the Covenant from the Treaties of Peace. Observing that in respect of certain regions in which a number of States have special interests, regional agreements of friendship and collaboration between individual members of the British Commonwealth and the other States so interested have been entered upon or may be contemplated, they welcomed all such agreements insofar as they can be made to contribute to the cause of peace, and do not conflict with the Covenant of the League of Nations.

They noted with interest the statement made on behalf of the Australian Delegation at the opening Plenary Meeting that Australia would greatly welcome a regional understanding and pact of non-aggression by the countries of the Pacific, and would be prepared to collaborate to that end with all the peoples of the Pacific region in a spirit of understanding and sympathy. They agreed that if such an arrangement could be made it would be a desirable contribution to the cause of peace and to the continued maintenance of friendly relations in the Pacific, and that it should be the subject of further consultation between Governments.

They all desired earnestly to see as wide a measure of disarmament as could be obtained. At the same time they were agreed that the several Governments of which they are the representatives are bound to adopt such measures of defence as they may deem essential for their security, as well as for the fulfilment of such international obligations as they may respectively have assumed.

Being convinced that the influence of each of them in the cause of peace was likely to be greatly enhanced by their common agreement to use that influence in the same direction, they declared their intention of continuing to consult and co-operate with one another in this vital interest and all other matters of common concern.

The representatives of the several Governments concerned further had under review the possibility of reviving confidence and increasing the stability of economic and financial conditions in the world, a process which they considered essential to the prosperity of individual countries as well as to international peace. In order to assist in furthering this end, they declared themselves ready to co-operate with other nations in examining current difficulties, including trade barriers and other obstacles to the increase of international trade and the improvement of the general standard of living.

Finally the Members of the Conference, while themselves firmly attached to the principles of democracy and to parliamentary forms of government, decided to register their view that differences of political creed should be no obstacle to friendly relations between Governments and countries, and that nothing

would be more damaging to the hopes of international appeasement than the division, real or apparent, of the world into opposing groups.

X. Defence

The Conference gave close attention to the subject of defence, and considered ways in which it would be possible for the Governments concerned to co-operate in measures for their own security. The occasion was taken for a detailed review of the state of defence in each of the countries represented at the Conference and this opportunity was generally welcomed.

The discussions began with a review of the events which led up to the adoption by His Majesty's Government in the United Kingdom of their rearmament programme, and of defence problems generally. The Members of the Conference noted with deep concern that since the session of 1930, international tension had increased in a marked degree, and that there had been a large and rapid increase in the armaments of all the principal Powers. They were impressed by the world-wide effect of these increased armaments on the international situation and on the financial and economic position of the nations concerned, and while their respective Parliaments had already recognised the necessity for taking measures to put their defences in order, they thought it of the highest importance that negotiations for the limitation of armaments should be re-opened whenever there was a reasonable prospect of success. They recognised with regret that notwithstanding the measure of success in the limitation of armaments attained by the countries concerned in the London Treaty for the Limitation of Naval Armaments of March 25, 1936, and in the Anglo-German Agreement of June 18, 1935, international conditions were not at the moment favourable to further progress in the direction of disarmament. At the same time, however, they acclaimed the efforts now being made to extend naval limitation to other countries.

The statements made to the Conference by the Delegation of the United Kingdom concerning the rearmament programme of the United Kingdom reported the further developments in the organisation of the Committee of Imperial Defence, notably in improving the arrangements for joint planning between the three Defence Services and for the mobilisation of industry. Facilities are always given to Dominion representatives to attend Meetings of the Committee of Imperial Defence, if they so desire, when questions of defence affecting their respective countries are under consideration. Attention was also drawn to the important progress made in recent years in the standardisation by the Governments concerned of the training and equipment of the defence forces in different parts of the Empire, as

well as in uniformity of administrative practice in defence matters. Reference was made to the increasing importance of the industrial side of defence owing to the progress of technical development in armaments, and emphasis was placed on the advantages attending co-operation in the production and supply of munitions and raw materials as well as of food and feeding stuffs to meet the several requirements of the United Kingdom, the Dominions and India, and the Colonial Empire.

The discussion was continued by the Delegations representing the Dominions and India. The Conference was informed of the developments in the Canadian defence forces from 1926 to the present time. After considerable reductions in 1931 increased appropriations had recently been made for the Defence services of the Dominion. The strength of the Canadian naval and air forces had been increased, the militia had been completely reorganised and a policy of modernisation and mechanisation of equipment had been adopted. The industrial aspect of defence preparations had received close attention and a Committee of the Cabinet had been appointed to maintain active supervision of defence problems.

The defence organisation of the Commonwealth of Australia next received consideration. The basis of Australian defence policy was described as participation in Empire naval defence for the protection of sea-borne trade, as a deterrent to invasion and as a general measure of defence against raids, combined with local defence to provide a further deterrent to and a defence against invasion and raids. The great importance from the Australian point of view of the Singapore base was noticed. The Conference was informed of the large increases in the defence votes in Australia under a Three Years' Programme commenced in 1934 and that a new Four Years' Programme overlapping the last year of the other Programme had been put in hand. It was stated that the guiding principles of the Imperial Conferences of 1923 and 1926 had been adopted by His Majesty's Government in the Commonwealth of Australia as the basis of its policy and the main features of the programmes that sought to implement them were as follows :—

(i) *Naval Principles. . . .*

The construction of a new cruiser and two new sloops.

The re-armament of the fixed defences and provision of air co-operation.

Facilities for naval repairs and oil storage.

(ii) *Responsibility for Local Defence.*

In addition to strengthening the fixed defences of the important ports, the Australian Government had recently provided a special increase in the Army vote to bring the Field Army of seven divisions up to its minimum nucleus establishment. The

strength of the permanent forces was also being increased and improvements were being effected in the efficiency, armament and equipment of the Army.

The Air Force would complete this year Part I of the scheme laid down by Sir John Salmond, and have a first line strength of eight squadrons and 96 aircraft.

The building up of the Munitions Supply organisation had reached the stage that the Government Factories had developed the capacity for the production of the various types of the ordinary requirements of the Army, Navy and Air Force, and these resources were being further expanded. A survey of civil industry was also being carried out to determine the possibilities of capacity for production, and to prepare plans for mobilising its resources in an emergency.

The Government had recently arranged for the establishment of the aircraft industry on a sound basis and this would be an important adjunct to defence.

As affecting the whole field of defence, great importance was attached by the Australian Delegation to the development of co-operation in defence matters between the several parts of the British Commonwealth.

The Conference was informed that His Majesty's Government in New Zealand also attached the greatest importance to close co-operation in defence matters. The Government were anxious to make sure that expenditure on the three Services was properly balanced and laid out so as best to enable the New Zealand forces to act in the most efficient way possible not only in the local defence of their country but also in Commonwealth defence in co-operation with the forces of other countries of the Commonwealth. In this connection great importance was attached to the Singapore base.

With regard to the Union of South Africa, it was recalled that matters of principle had been discussed and agreed between the Union Minister for Defence, Mr. Pirow, and United Kingdom Ministers during the visit of Mr. Pirow to London in 1936. South African expenditure on defence had recently been greatly increased, being in the last year nearly three times as much as in 1932–33. An important feature of South African defence organisation was the preparation in peace-time of the industrial resources of the Union to meet possible military requirements in the event of war.

The Conference was informed that the Defence Forces of India are designed primarily to meet a possible attack on the North West Frontier and to cope with the ever-present problem of dealing with the tribesmen in that region, in addition to maintaining internal law and order. It was recognised that the Army in India is fully equipped for these purposes and constitutes a force which is as well prepared as any other to take the field if the occasion arises.

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The Conference took note of the measures, recently adopted by the various countries represented at the Conference, often at a heavy cost, and recognised that the increased programmes of armaments were no more than sufficient for the defence of their territories and trade and the fulfilment of such obligations as each might have assumed.

The Conference recognised the vital importance of measures to safeguard maritime communications, including routes and water-ways essential to defence and trade, and to provide naval bases and facilities for repairs and fuelling of ships.

The Conference accordingly was glad to be informed that steps have been taken with these ends in view and in particular that substantial progress has been made towards the completion of the naval base at Singapore and its defences, with the aid of the generous financial assistance received from various parts of the Empire.

With regard to land forces, the Conference observed the various duties which the Regular Forces of the United Kingdom and India have performed in protecting British interests and the frequency of the occasions on which it has been necessary to despatch reinforcements to several parts of the world.

The Conference heard with satisfaction of the important steps taken by His Majesty's Government in the United Kingdom for the maintenance of a Home Defence Air Force of sufficient strength to afford adequate protection against attack by the strongest air force which may be at any time within striking distance of the shores of the United Kingdom. In this connection the Conference took note of the extensive preparations that are being made by His Majesty's Government in the United Kingdom in the spheres of both active and passive defence against air invasion.

The Conference also recorded the progress made by the several Governments in creating and maintaining an adequate chain of air bases and refuelling stations along the lines of communications between the different parts of the Empire.

The Conference noted with satisfaction that in accordance with recommendations of previous Conferences a common system of organisation and training and the use of uniform manuals, patterns of arms, equipment, and stores had been adopted, as far as practicable, for the naval, military and air forces of their several countries. Each of them would thus be enabled to ensure more effectively its own security and, if it so desired, to co-operate with other countries of the Commonwealth with the least possible delay. The interchange of individual officers of the naval, military and air forces of the countries was recognised as conducing to the dissemination of the experience acquired by the officers concerned under the widely different conditions existing in various parts of the Empire.

Defence Councils or Committees have been established in the Dominions. Considerable advantage has been taken by the Governments represented at the Conference of the facilities afforded by the Imperial Defence College in London for the education of officers in the broader aspects of strategy.

The Conference gave careful attention to the question of munitions and supplies required for defence both by the United Kingdom and other parts of the Commonwealth, and also to the question of the supply of food and feeding stuffs in time of emergency. The Conference was impressed with the value of the free interchange of detailed technical information and recommended that it should be continued between the technical officers of the Governments concerned, it being understood that any questions of policy arising in connection with any such technical exchange and discussion would be submitted to the respective Governments for decision and that each Government reserved to itself complete freedom of decision and action.

In the course of the discussions, the Conference found general agreement among its members that the security of each of their countries can be increased by co-operation in such matters as the free interchange of information concerning the state of their naval, military and air forces, the continuance of the arrangements already initiated by some of them for concerting the scale of the defences of ports, and measures for co-operation in the defence of communications and other common interests. At the same time the Conference recognised that it is the sole responsibility of the several Parliaments of the British Commonwealth to decide the nature and scope of their own defence policy.

XI. General Review of the Progress of Empire Trade and Allied Questions

. . . It had been agreed that questions arising out of the Ottawa Agreements could best be dealt with as occasion offered in separate discussions between the individual Governments concerned and apart from the Conference, and there was accordingly no discussion on matters of detail affecting trade between the different parts of the British Commonwealth of Nations. The meeting, however, afforded a valuable opportunity for an interchange of views between the representatives of His Majesty's Governments on economic questions of general concern.

. . . In the course of the proceedings suggestions were made by the New Zealand Delegation as to possible means of ensuring the regulated expansion of production and marketing in necessary foodstuffs and other commodities.

Note was taken of a number of recent encouraging developments in the economic sphere; the Declaration of September

1936, which the Governments of the United Kingdom, France and the United States of America made in connection with the devaluation of the franc and in particular the statement of these Governments that they " attached the greatest importance to action being taken without delay to relax progressively the present system of quotas and exchange controls with a view to their abolition "; the informal investigation which the Belgian Prime Minister had been invited by the United Kingdom and French Governments to undertake as to the possibility of securing relaxations of quotas and other obstacles to international trade; and the steps taken by the United States Government in this connection. It was hoped that every effort that would tend towards the promotion of international trade would be maintained and encouraged.

The outstanding feature of the discussion was the emphatic desire expressed by the representatives of every part of the British Commonwealth represented at the Conference that all practicable steps should be taken to secure the stimulation of international trade. It was recognised that in the last resort the prosperity of the countries of the Commonwealth depends on that of the world as a whole and that a healthy growth of international trade, accompanied by an improvement in the general standard of living, is an essential step to political appeasement.

XII. Colonial Affairs

[*Omitted*]

XIII. Work of the Imperial War Graves Commission

[*Omitted*]

XIV. Constitutional Questions

Certain constitutional questions which had been raised by His Majesty's Government in the Union of South Africa were considered by a Committee on Constitutional Questions under the Chairmanship of the Right Hon. E. Lapointe, K.C., M.P., Minister of Justice, Canada. Questions as to the Nationality of Married Women, which had been raised by His Majesty's Government in the Commonwealth of Australia, were referred to the same Committee.

The Committee presented the following Report, which was adopted by the Conference:—

(i) *Nationality.*

The Committee considered certain questions which had been raised in regard to the relationship between the common status possessed by subjects of His Majesty and the particular status of membership of any one of the individual communities forming the British Commonwealth of Nations. . . .

It was in no way suggested that any change should be made in the existing position regarding the common status based on the British Nationality and Status of Aliens Act of the United Kingdom and the corresponding enactments in other parts of the British Commonwealth. This common status is described by the term "British subject". The term does not, of course, mean a "subject of Great Britain". It is one of long standing as denoting generally all subjects of His Majesty, to whatever part of the British Commonwealth they belong.

Attention was drawn to the fact . . . that British subjects not only have this common status but also, generally speaking, have a particular connection with one or other Member of the British Commonwealth. It was pointed out that in the absence of rules for determining the part of the Commonwealth with which any particular person has the connection just referred to, practical difficulties arise, or might arise, with regard to such matters as immigration, deportation, diplomatic action, extra-territorial legislation and treaty rights and obligations.

The suggestion was made that these difficulties could be overcome if each of the Members of the Commonwealth were to undertake to introduce legislation, as some Members have already done, defining its nationals or citizens. It was however found that some Members of the Commonwealth were not disposed to introduce such legislation. In the case of the United Kingdom in particular, it was pointed out that the wide differences existing between the large number of separate territories, legal jurisdictions and races for which the United Kingdom was responsible would render impracticable the adoption of any single classification which would be in any real sense analogous to that expressed by the terms "national" or "citizen" or "member of the community" in the case of other Members of the Commonwealth. Moreover it is the practice of the United Kingdom to make no distinction between different classes of British subjects as regards the grant of civil and political rights or the right of entry into and residence in the United Kingdom, and the paragraphs which follow must be read in the light of this position so far as the United Kingdom is concerned.

It should also be mentioned that in foreign countries where there is no separate diplomatic or consular representation of a particular Member of the Commonwealth, the diplomatic and consular representatives of His Majesty, appointed on the advice of the United Kingdom Government, are prepared to afford protection and assistance also to British subjects belonging to that Member. No change in this practice is contemplated or desired; and it may well be that the diplomatic and consular representatives appointed on the advice of the Governments of other parts of the British Commonwealth would be prepared, should occasion arise, to undertake similar duties.

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It was thought that a closer examination of the particular difficulties to which attention has been called might be of service with a view to removing points of obscurity, inconvenience or possible misunderstanding.

The questions that arise are seen most clearly in the case of a part of the Commonwealth which has defined membership of its community in terms of distinct nationality, and that was the case first considered. But it was recognised that to a greater or less extent Members of the Commonwealth, whether or not they have given legislative definition to such a concept, do distinguish for some practical purposes between British subjects in general and those British subjects whom they regard as being members of their own respective communities. . . . When, therefore, persons are described in the following paragraphs as "members of the community" of a particular Member of the Commonwealth, the phrase is intended to have a rather technical meaning, as denoting a person whom that Member of the Commonwealth has, either by legislative definition of its nationals or citizens or otherwise, decided to regard as "belonging" to it, for the purposes of civil and political rights and duties, immigration, deportation, diplomatic representation, or the exercise of extra-territorial jurisdiction.

In the light of these considerations the following are the conclusions which have been reached :—

1. It is for each Member of the British Commonwealth to decide which persons have with it that definite connection, envisaged by paragraph 73 of the Report on the Operation of Dominion Legislation, 1929, which would enable it to recognise them as members of its community It is desirable, however, to secure as far as possible uniformity in principle in the determination by each Member of the Commonwealth, of the persons, being British subjects, to be regarded as members of its community, and to avoid, as far as possible, the inconveniences which might arise if a particular person were to belong, at the same time, to two or more Members of the British Commonwealth. These objectives could be secured upon the following basis :—

(1) Each Member of the Commonwealth would in the normal course include as members of its community :—

(*a*) persons who were born in, or became British subjects by naturalisation in, or as a result of the annexation of, its territory and still reside there, and

(*b*) persons who, coming as British subjects from other parts of the Commonwealth, have identified themselves with the community to which they have come.

As regards those mentioned under (*b*) it is for each Member to prescribe the conditions under which any British subject coming from

another part of the Commonwealth will be considered to have so identified himself with the new community to which he has resorted as to become a member thereof.

(2) . . . It is recommended that any Member contemplating passing a law on the membership of its community, should submit its proposals to the other Members of the Commonwealth, so as to enable them to offer observations thereon, if they feel so inclined.

The object of this consultation would be to ensure agreement, so that other Members would not thereafter raise any objection to the consequences which would follow from the proposed action. . . .

(3) In the event of a Member desiring to pass new or amending legislation dealing with Nationality or Citizenship, it might be faced with the problem of how to deal with those British subjects not born in, but at the moment residing in, its territory. One solution of this problem would be to provide for the inclusion of all such persons, coupled with the right of those not wishing to become nationals or citizens to opt out. If our recommendation as to consultation is adopted, each Member would have an opportunity of commenting, if it so desired, on the actual proposals so far as they might affect members of its community.

2. Those Members of the Commonwealth which do not desire to proceed to a definition by legislation of the requirements for membership of their communities will consider giving effect administratively, in accepting responsibility for particular persons, to the principles contained in the foregoing paragraphs, subject, of course, to the provisions of any law which may, from time to time, be in force. They may also find it expedient to give effect to some of the implications thereof by legislation without the necessity of resorting to a definition of the members of their communities.

(ii) *Treaty Procedure.*

As regards the nature and effect of the participation of Members of the British Commonwealth in a multilateral treaty, it was recognised :—

(1) That each Member takes part in a multilateral treaty as an individual entity, and, in the absence of express provision in the treaty to the contrary, is in no way responsible for the obligations undertaken by any other Member; and

(2) That the form agreed upon for such treaties at the Imperial Conference of 1926 accords with this position.

(iii) *Nationality of Married Women.*

The Committee took note of the reference to the subject of the Nationality of Married Women contained in paragraph VI (*c*) of the Summary of Proceedings of the Imperial Conference of 1930. In that paragraph it was stated that all the Members of the British Commonwealth represented at the Hague Conference of 1930 signed the Nationality Convention there

concluded. Since 1930 legislation on the lines recommended in the Hague Convention has been passed in the United Kingdom, Canada, the Commonwealth of Australia, and New Zealand, and the introduction of similar legislation in the Union of South Africa is contemplated.

The Australian and New Zealand Delegations in opening the discussion called attention to the further legislation recently passed in the Commonwealth of Australia and New Zealand which does not affect the common status of British subjects but under which a woman who prior to her marriage was a British subject but ceased to be a British subject by reason of her marriage to an alien may retain within the Commonwealth of Australia or New Zealand respectively the political and other rights and liabilities of a British subject.

A full discussion took place on the various aspects of the whole question. . . .

It was not found possible to arrive at an agreement in favour of any change in the existing law. While therefore the Committee was unable to put forward any recommendations, it was assumed that the matter would be the subject of further consideration by and consultation between the respective Governments.

XV. Civil Aviation

Questions concerning civil air communications were referred to a Committee under the Chairmanship of the Hon. Sir Archdale Parkhill, K.C.M.G., M.P., Minister for Defence, Commonwealth of Australia.

The Committee discussed the prospect of establishing a British Commonwealth chain of air communications interconnecting all parts of the Empire, and the methods of co-operation which might be adopted by Members of the British Commonwealth with this aim in view.

The Committee arranged that the proposed air services across the Tasman Sea and Pacific Ocean should be discussed by representatives of the Delegations concerned.

On the recommendation of the Committee, the Conference adopted the following Resolution :—

(i) Appreciating the many benefits, direct and indirect, immediate and potential, to be secured by nations possessing substantial and extensive civil aviation enterprises, the Conference is unanimous in its approval of the Members of the British Commonwealth of Nations pursuing a vigorous policy in regard to their air services, embracing expansion within each of their territories and interconnection between Members.

(ii) In order to promote arrangements whereby air lines

of the Members of the British Commonwealth of Nations will link them together, the Conference affirms the willingness of the countries represented to co-operate with each other to the greatest possible extent.

(iii) In emphasising the importance of continued co-operation in the development of air services connecting the territories of the various Members, the Conference recognises that the most effective method of co-operation and efficient organisation can best be settled by the Governments concerned in each particular case as it arises, but any method should recognise, where desired by a Government, local control not only over services operating within its own territory but also, by agreement with the other Governments concerned, in adjacent areas in which it is particularly interested.

(iv) It is agreed that, whenever an application received by one Member for facilities for foreign air services is likely to affect another Member, there should be consultation between the respective Governments concerned before facilities are granted; and if an agreement has been reached between the Commonwealth Governments concerned as to the service to be required in return for such facilities, the Commonwealth Government to whom the foreign application has been made will use its best endeavours to secure the reciprocal facilities agreed upon.

(v) The Conference notes with approval the practice followed by Nations of the Commonwealth whereby, when operational rights are granted to a foreign air line, the concession expressly provides for reciprocal rights as and when desired; and suggests for consideration the desirability of including in such concessions a general safeguard of the right of the Government, at its option, to take over the ground organisation within its territory on suitable terms.

XVI. Shipping

General questions arising in connection with shipping policy, including the work of the Imperial Shipping Committee, were referred to a Committee on Shipping Questions under the chairmanship of the Hon. Walter Nash, M.P., Minister of Finance, New Zealand.

The Committee reviewed the position regarding British shipping (by which is meant all shipping registered as British wherever the registration be effected) in relation to the needs of the several parts of the British Commonwealth of Nations, and realised that the maintenance of adequate British shipping is a matter of common concern to the countries of the Commonwealth.

The Committee also noted that certain forms and methods of

discrimination have latterly been adopted by Governments outside the Commonwealth, whereby British shipping in certain areas is seriously prejudiced if not threatened with entire elimination.

The Committee recommended accordingly that the Conference should reaffirm the Declaration relative to overseas shipping of the Imperial Economic Conference of 1923,* and that in any case in which it may be considered by the Government of one part of the British Commonwealth that undue assistance, to the serious prejudice and danger of British shipping, is being given by any Government outside the British Commonwealth, there should be an opportunity for consultation between the Government of that part of the Commonwealth whose shipping is endangered and the Government of any other part of the Commonwealth concerned, in order to determine the validity of the complaint and the best means of meeting the situation, due regard being had to the interests of the Government of that other part of the Commonwealth.

One case of difficulty, arising out of the competition of subsidised ships running across the Pacific between the United States and New Zealand and Australia is under consideration by the Governments concerned (United Kingdom, Canada, Australia, New Zealand) with a view to maintaining British shipping on this route. This question was referred by the Committee to a Sub-Committee representing the four Governments, which reported that its discussions had not reached finality. The matter will continue to be dealt with by the four Governments in consultation.

The Committee also noted that the Imperial Shipping Committee is at present engaged upon an investigation into the position of British shipping in Middle and Far Eastern waters, having regard to the increased competition of foreign flags.

The Committee was informed that additional statistics relating

* The Declaration reads as follows :—

" In view of the vital importance to the British Empire of safeguarding its overseas carrying trade against all forms of discrimination by foreign countries, whether open or disguised, the representatives of the Governments of the Empire declare—

" (1) That it is their established practice to make no discrimination between the flags of shipping using their ports, and that they have no intention of departing from this practice as regards countries which treat ocean-going shipping under the British flag on a footing of equality with their own national shipping.

" (2) That in the event of danger arising in future to the overseas shipping of the Empire through an attempt by a foreign country to discriminate against the British flag, the Governments of the Empire will consult together as to the best means of meeting the situation."

to shipping are now being compiled in the United Kingdom, and each of the Governments represented on the Committee expressed willingness in principle to arrange for the provision of similar statistics in respect of their import and export trade.

The Conference approved the Report of the Committee, and, on the recommendation of the Committee, adopted the following resolution with regard to the work of the Imperial Shipping Committee :—

. . . .

(3) The Conference is of opinion—

(*a*) that it is desirable that the Committee should be continued on the present basis, following the general lines proposed by the Imperial Committee on Economic Consultation and Co-operation in 1933, and deriving authority from, and being responsible to, the Governments represented at the Imperial Conference. The Conference would welcome the addition of a representative of Burma to the Committee;

(*b*) that a sum of £2,000 per annum should continue to be provided for the work of the Committee. . . .

XVII. Committee on Certain Economic Questions

Questions relating to the work of the Imperial Economic Committee and a proposal for the establishment of an Empire Agricultural Council were referred to a Committee on Economic Questions under the Chairmanship of the Hon. N. C. Havenga, M.P., Minister of Finance, Union of South Africa.

(i) *Questions Relating to the Work of the Imperial Economic Committee.*

On the Committee's recommendation, the Conference adopted the following resolution :—

. . . The Conference approves the continuance of the Imperial Economic Committee as at present constituted and would welcome a representative of Burma on the Committee.

The Conference approves . . . that the annual fund of the Committee . . . to which the several Governments subscribe, should be £22,000 [*in place of* £20,000]. . . .

(ii) *Proposal for the Establishment of an Empire Agricultural Council.*

The proposal by His Majesty's Government in the Commonwealth of Australia for the establishment of an Empire Agricultural Council was considered and fully discussed. . . .

It was agreed that the Governments of the Empire should aim at the greatest possible measure of co-operation in the examination of problems of common concern. Doubt was expressed, however, by certain representatives whether many of the problems were of a kind which could be best dealt with

by an organisation such as that proposed. Furthermore, before deciding to set up any new advisory or consultative body, it should be clear that it would not duplicate work which is within the scope of the already existing Inter-Imperial agencies. The constitution of the Imperial Economic Committee, whose terms of reference have been revised by the resolutions of successive Imperial Conferences, seemed, it was considered, to be well qualified to meet most of the functions proposed for the Agricultural Council. Moreover, co-operation in the interchange of information concerning agricultural research is provided by the Imperial Agricultural Bureaux.

The opinion was also expressed that where the need arose for a common consideration of subjects of importance to different Empire countries, which could not be met by existing agencies, the best course would be to appoint *ad hoc* bodies for the purpose.

For these reasons, the Committee, while appreciating the motives which inspired the Australian proposal, considered that the establishment of an Empire Agricultural Council is not called for, and recommended accordingly.

The Conference took note of this conclusion.

XVIII to XXI

[*These sections refer to the New Hebrides, Polar questions, the concluding resolutions, and the final Address to His Majesty the King-Emperor.*]

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THE ROUND TABLE

A QUARTERLY REVIEW OF THE POLITICS
OF THE BRITISH COMMONWEALTH

CONTENTS

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POWER AND OPINION IN WORLD AFFAIRS

UNIVERSAL rearmament is relentlessly transforming both the political and the economic configuration of the world. After the world war the victors persuaded themselves that democracy would become universal among civilised peoples, and that it would be possible for the nations, sitting regularly round a table, to settle their differences by agreement. They assumed that they could collectively prevent any nation from going to war until it had given the League methods a full opportunity to function. But gradually that dream has faded. It has faded, partly because the United States rejected the collective system and retired into isolation; partly because France, deprived of the British and American treaty of guarantee against unprovoked aggression by Germany, fell back upon a policy of keeping Germany disarmed and encircled by military alliances; partly because the League proved unable either to revise the treaties and grapple with economic nationalism or, later on, to resist aggression in the cases of Manchuria, Abyssinia, Spain and now China. But it is no use repining over the past. We should learn from our experience, and face the new situation that confronts us, constructively and without illusions.

I. The Return to Power Politics

THE basis on which we must build our thoughts about the international situation is simple and clear—the fact that the world consists of some seventy independent sovereign States. Within its own boundaries the State is

the supreme instrument for the maintenance of peace and the regulation of social, economic and family life. It there wields unchallenged power, by whose aid it enacts, alters, interprets and enforces the law. The political struggle inside democratic States is a struggle between political parties to capture, for a spell, the machinery of the State. The issue of power is decided by the electorate itself, and political struggle is directed to influencing the voters by speeches, resolutions, press campaigns, vehement criticism and controversy.

In the international sphere the situation is entirely different. There is no democracy, no common electorate, no general election, no common government. If States cannot agree, even to arbitrate, there is no remedy for grievances save in power politics or war. The existence of a league of sovereign nations does not alter this situation, because neither agreement to alter the *status quo* nor collective action is possible without the individual assent of every sovereign State concerned. The League machinery of consultation may conduce, powerfully at times, to agreement and may deter an appeal to force. But it does nothing to create a true reign of law such as exists inside every State. Thus whenever there are deep disagreements between nations, or discontent with the existing order is widespread, we inevitably find the phenomenon of rearmament. Disaffected nations begin to increase their military power as the one sure means, when persuasion fails, of bringing pressure on others to alter the existing settlement in their own favour, and the nations that feel this rearmament to be directed against themselves begin to rearm in self-defence.

That is the situation which confronts us to-day. As always under the anarchy that national sovereignty inexorably implies, international politics are coming to turn, not on the moral judgment of individual nations or of the League, but on the question where, when and how nations or groups of nations can exercise effective superiority of

military strength, either to alter or to defend the existing settlement. Democratic States tend to be the last to realise this state of affairs, because their own internal politics turn on persuasion and debate rather than on force; they are inclined to think that the methods they use at home can equally be applied abroad, though in fact recrimination and argument tend only to exacerbate international relations. Totalitarian States, on the other hand, understand far better the game of power politics, because it conforms to their own internal reliance on power.

There is the explanation of the events of the last few years. In 1931 the League members and the signatories of the Nine-Power treaty were unable or unwilling to bring to bear in the Far East the degree of force, economic or military, necessary to deter Japan from overrunning Manchuria. In the Abyssinian crisis the members of the League were willing to take some economic risks in order to nullify or limit Italian aggression, but were not willing to run the risk of war. That risk would have been involved in any action—such as imposing oil sanctions or closing the Suez Canal—that would have presented Mussolini with the alternatives of climbing down or fighting the League. In both these cases, therefore, the result was to extend the area within which the will of Japan and Italy prevailed, as opposed to the will of China or Abyssinia or the controlling principles of the League Covenant. And the reason for this was that, at the moments of crisis, Japan and Italy could muster at the decisive place a superiority of military power, or at least of national resolution, even though the moral judgment of the world went against them.

There are to-day three areas in which a similar issue between power and world opinion is being put to the test—Spain and the Mediterranean, the Far East, and eastern Europe. Let us examine them in turn, and see whether they do not together reveal the new pattern of international politics.

II. Spain and the Mediterranean

WHETHER the Spanish civil war was actually engineered from outside is hard to say. What is certain is that the victory of either side rapidly became a matter of importance to other States, partly because it might react upon the stability of their own internal régimes, and partly because it would affect the international balance of power.

Neither external group, however, has yet pushed its assistance to an extreme, for a number of reasons. Spilling money and lives in Spain is unpopular at home, and no State has so far been willing to see the war develop into a general European conflict. Moreover, it is uncertain where the preponderance of military strength and the resolution to use it really lie. The ultimate consideration in the international problem of Spain to-day is the question which side can bring the greater quantum of power to bear in combination with the audacity to use it, or at least to threaten to use it. In this game of international poker the democracies are at a disadvantage. They are much more solidly resolved on peace, and unlike the dictatorships they can practically never threaten war, simply as a card in the diplomatic game. There is no question that France and Great Britain could be completely predominant in Spanish waters if they chose to exert their full naval strength. They could put a cordon round Spain and prevent anything or anybody going in or out except by their leave. But such action might lead to retaliation by other Powers at points where France and Great Britain possess no such preponderance, and this might develop into world war. Therefore the will to use their power is feeble—the more so in that public opinion in both those countries is divided, a majority wanting neither " fascism " nor " the Reds " to win outright in Spain, but hoping that in the end a moderate Government will emerge.

Because their will is feeble, Mussolini, supported by

Germany, is continually challenging it, edging near to the point which he estimates is the limit of their endurance. He finds himself to-day, however, in an increasingly dangerous position. In a mood of exaltation after his successful coup in Abyssinia, he intervened in Spain in the hope of winning for fascism a rapid triumph. But the victory did not follow: he poured in more and more troops and armaments; the more he sent in the more expensive and the more unpopular at home his intervention became; without victory he could not withdraw, save at the cost of his prestige both at home and abroad. There are those who believe that if Mussolini cannot secure an early victory for General Franco in the coming winter "push" he will be tempted to stir up trouble in north Africa and the Arab lands fronting on the eastern Mediterranean. He will do this, they claim, as a distraction for his own people and as a step towards his own Cæsarian ambition to make the eastern Mediterranean an Italian lake and to bring the Suez Canal under Italian control; and he will be tempted by the fact that the reorganisation of British defence in this area is still very inadequate. In the Mediterranean zone, therefore, the balance of power and of resolution to use it is becoming the decisive factor.

III. Sanctions and Counter-Sanctions in the Far East

THE incidents out of which the present Far Eastern conflict arose are confused. But the underlying reasons for it are clear. Driven partly by the need for an expanding economic basis for a population of 40 million people (now risen to 70 millions), partly by her determination to stop the eastward march of Russia, and partly by the imperialist tradition of her ruling military families, Japan embarked in 1895 on a policy of extending her empire on the mainland of Asia. Periods of advance and retreat have alternated, but in the last forty years as a whole there has been a relentless drive forward. In recent years, however, the

Chinese revolution, which in its first stages plunged China into chaos, has led to a steady growth of nationalism and of administrative unity. When the rape of Manchuria took place in 1931, China was unable to offer any effective resistance. But, as Japan began to extend her influence south of the Great Wall, Chinese resistance began to stiffen, and the younger generation, including the so-called communists, demanded that Chiang Kai-shek should fight before it was too late.

Japan, therefore, being committed to a policy of expansion on the Asiatic continent, and to the doctrine that it was her task to "stabilise" the Far East and remove it from Western interference, found herself faced by an inescapable choice. Either she had to recognise the equality and independence of China, treating her as a partner who would develop on her own lines and eventually become, through superior population and resources, the dominant partner. Or she had to compel China by force to accept the position of a client State, with a government which in fundamentals would take its orders from Japan. The Japanese military party, in the ascendant since 1931, not only favoured the second policy but demanded that it be put into force immediately, before Chinese nationalism—which they called anti-Japanism—became strong enough effectively to resist.

In the long run the issue depends on the power of China to maintain her unity of leadership and to prolong the war until Japan's resources and finance are so exhausted, or so threatened by pressure from other countries, as to compel her to scale down her war objectives to something that China could accept.

There has been almost universal sympathy with China throughout the non-fascist world, and bitter condemnation of the bombing of open towns by Japan. The Brussels Conference, as this review goes to press, is still in being after Japan's second "No", but a clear-cut conclusion seems unlikely. In this case, as in others, it will be the

power factors that will finally govern policy. Mr. Stimson, who was Secretary of State during the earlier Manchurian incident, issued in October a strong attack on Japan as a treaty breaker and aggressor. He proposed that the League Powers and the United States in concert should refuse to buy gold or silk from Japan or to sell her oil, cotton or rubber. Were this plan put into practice, it would probably be effective after Japan had exhausted her reserves of raw materials, which are substantial. But if, as a result, Japan were faced with the alternatives of accepting defeat or attempting to break through the economic ring, she would surely choose the latter. She would not attack the United States, for she is not strong enough to do so. Nor would she try to seize the Philippines, for they are of little value to her for the purposes of the present war. What she would presumably try to do would be to close the last doors into China for seaborne supplies through Canton, Kowloon (opposite Hong Kong) and Haifong. She would then try to seize the Netherlands islands in the East Indies in order to secure a supply of oil, rubber and tin, under her own control. Unless Great Britain could mobilise sufficient power at Singapore, Japan might even consider attacking this vital bastion of the Empire's defence.

The proposal for any kind of effective economic boycott of Japan, therefore, would immediately bring up the same question as arose over Abyssinia—whether the nations imposing the sanctions were willing to stand together in resisting retaliation. That, in practice, is primarily a question for the United States and Great Britain, which are the only nations that can deploy any considerable naval power on the spot, and for Russia, who alone can exert pressure on land. France may be able to do a little, but none of the other League members counts at all. For the United States to agree to this involves her undertaking to resist a Japanese counter-attack, not on her own possessions, but primarily on those of Great Britain and Holland.

Moreover, even if co-operation in defence against

retaliation could be agreed upon, other difficulties remain. On land a machine gunner may hold up a regiment. But in naval battle, where efficiency is otherwise about equal, gun power and speed are decisive. At Coronel in 1914 a British squadron was annihilated by an opposing German squadron practically without registering a hit. A few weeks later the victorious German squadron was annihilated at the Falkland Islands, also practically without registering a hit on the British battle-cruisers. The Japanese have nine 14-in. or 16-in. gun battleships, twelve 8-in. gun cruisers, and fourteen smaller cruisers,* whose base is the Japanese mainland. The United States has fifteen 12-in., 14-in. or 16-in. gun battleships, sixteen 8-in. and ten 6-in. gun cruisers, whose Pacific base is Pearl Harbour in Hawaii, 3,300 miles from Japan. Great Britain at present has one 8-in. and four 6-in. gun cruisers in Far Eastern waters, their real war base being Singapore, which is like-wise nearly 3,000 miles from Japan.

In the event of retaliation, therefore, Japan would be able instantly to assert an irresistible superiority in Far Eastern waters. Even if the United States, the British Empire, France and Holland stood together, their ability to withstand the supposed Japanese counter-attack would depend on where they could mass effective superiority in gun power. Hong Kong, like Shanghai, would certainly be untenable. The question whether Russia—which has no fleet in the Far East—could bring effective military pressure to bear upon Japan hardly affects the naval issue at all. Thus in the Far Eastern dispute, because we are living in an anarchy of sovereign States, policy must be related to the strength that can be brought to bear by the protagonists in Asiatic waters. And, as we shall see later, the power that Great Britain can supply is necessarily affected by her risks and commitments in other parts of the world, notably the Mediterranean and the North Sea.

* These figures of naval strengths exclude over-age ships.

IV. The Problem of Germany

THE problem of Germany and central Europe differs from those of Spain and the Far East in that Germany has had a much stronger case than Italy or Japan for demanding an alteration of the existing settlement. The treaty of Versailles was a "stiff" treaty. Germany was deprived of one-seventh of her European territory, and of all her colonies and foreign investments. She was disarmed and the Rhineland was demilitarised. She had a quite impossible burden of reparations imposed upon her.

But what followed was worse than the treaty itself, the architects of which had laid much hope upon the machinery for revision and moderation. This broke down when the United States rejected the League, and with it the Anglo-American treaty of guarantee to France against unprovoked aggression by Germany. Great Britain allowed her guarantee to lapse with that of the United States; whereupon France, with a population of 40 millions, against a German population of 60 millions, inevitably fell back upon her original policy of keeping Germany weak and disarmed and ringing her round with military alliances. The Ruhr invasion, which ruined the German middle class and laid the foundations of the National Socialist party, was followed by the Locarno treaties, guaranteeing Germany against a repetition of the Ruhr occupation, and France against invasion. Apart, however, from a belated writing-down of reparations, and an early withdrawal of the armies of occupation from the Rhineland, no successful effort was made to help the German Republic by mitigating the essential discriminations against Germany, such as her unilateral disarmament and the demilitarisation of the Rhineland. In 1933 Hitler swept into power on a policy of national regeneration and of repudiating the *Diktat* of Versailles. National discipline under totalitarian control and immense rearmament were the means by which he sought to overcome communism and to recover for

Germany what he claimed as her rightful place in the world.

Thus for fifteen years military power, rather than moral discussion, has really governed the European situation. So long as France and her allies were supreme the League accepted the Versailles thesis. Directly Germany recovered her military strength the European picture began to change.

Europe is now faced by an extremely nationalist and powerful Germany determined to alter in her own favour a settlement that she still thinks is unjust. In substance, so far as can be understood, her claims fall into three groups. The first is the union with Germany of all German populations alongside but beyond her frontiers—that is, she claims self-determination for the German *Volk*. This would mean acknowledging the right of the Austrians, the Sudeten Deutsch, the people of Danzig, Memel and parts of the Polish Corridor, and in the end the Germans in the Italian Tyrol, to decide for themselves whether to join the Reich, possibly with some measure of local autonomy. Germany's second claim is the return of her colonies, or their equivalent elsewhere. The third is the ending of the "encircling" French alliances with the Little Entente and Russia, in order that German influence may be paramount in eastern and central Europe.

There is nothing immoral in the claim for the union of the German people on the principle of self-determination, even though the process might involve adjustments of an unpleasant kind for Germany's neighbours. The things that matter are the way in which such adjustments would be effected, the treatment of any newly created minorities, and the purposes for which the consequential addition to German strength would be used. Similar general considerations apply to the colonial question. Though many people in Great Britain fear that to set Germany's feet again on the imperial path would be to court another eventual Anglo-German clash on the world scale, there are others who now feel that it was a mistake to have

deprived Germany of all her colonies in 1918, and that Great Britain should contribute her share towards finding a colonial area—say, in central west Africa—which could be transferred to Germany under mandate. But they, too, make it a condition that colonial revision should be part of a final all-round settlement with Germany, and that the colonies should not be used as leverage for fresh demands or as strategic bases.

Similarly with "encirclement". To organise a new Schlieffen plan is Germany's inevitable answer to encirclement—a situation that makes it possible, as in 1914, for an accident, a fool or a knave in a minor State to plunge the whole of Europe into war. If what Germany wants is simply to be free from that necessity, and to make mutually advantageous economic arrangements with the smaller nations of Danubia and the Balkans—not to deprive them of their independence—then a majority would regard the abandonment of France's eastern alliances as a price well worth paying for lasting peace and the return of Germany to the League. But if such rearrangements *are to be treated merely as a stepping-stone to the creation* of a Germanic central European bloc, with the ultimate object of establishing an hegemony over the whole of Europe, then Germany cannot expect France or her other neighbours to give way.

In the German problem, however, as in the other two, the issue is coming to turn more and more, as rearmament proceeds, on relative military power, and less and less on what world public opinion thinks about the merits of the case. The military factors would seem to be roughly as follows. Russia, though possessed of great numbers on land and in the air, is still fundamentally inefficient, is desperately anxious to avoid having to fight simultaneously on two fronts 4,000 miles apart, and as in the past is much more formidable in defence on her own territory than in offence abroad. Germany will not reach her full military strength until 1940, by which date she will have not only

35 front-line divisions and four mechanised divisions, but also two reserve divisions behind each of these, and the necessary reservists for a short war. France will have an army two-thirds the size of Germany's but more numerous reservists. She has also the Maginot line. Mussolini has made up his mind that he can no longer offer military resistance to the incorporation of Austria in Germany. Great Britain is not equipped to send any troops to the continent at all—certainly not more than two or three divisions. According to General Weygand, the air situation, as between the three western Powers, is that in a year or two's time Germany will have 3,000 front-line aeroplanes,* Great Britain 1,500 and France 1,000. In eastern Europe, naval power does not count directly at all. It is effective only in the later stages of a world war if it can maintain a successful blockade.

These figures are not put forward as conclusive, and the relative situation may change. But they indicate the sort of facts that will confront the nations of Europe if eastern European questions are not settled by agreement, and the question of power comes to the front. It is undoubtedly Germany's belief that she will gradually transform the eastern European situation—and in the long run the colonial situation—not by actual war but by the weight of her sheer military power. The smaller nations, she believes, will come to terms or enter her orbit, or else declare their neutrality, after Belgium's example. The larger nations will not dare to resist by war the gradual transformation of eastern Europe to suit Germany—so she calculates—any more than they dared to fight when she rearmed or remilitarised the Rhineland in defiance of the treaty of Versailles.

* *I.e.*, the number of aeroplanes that can be maintained in the air subject to the wastage of war.

V. The World Balance

IN point of fact, it is impossible to consider any of those three main contemporary problems separately. They deeply interact, and the solution of any of them is coming more and more to depend upon the balance of power in the world as a whole. The relative strength of those who are for maintaining and those who are for altering the existing settlement in any one of these three theatres will turn upon the question how far they are obliged to bring power to bear in the others as well. Great Britain, for instance, cannot to-day exert decisive force simultaneously in the Far East, the Mediterranean and the North Sea—much less in eastern Europe.

From the whole picture, certain conclusions stand out clearly. The first is that, while the ideal underlying the Covenant of the League of Nations is as true as ever, and while the League requires unflinching support as the focus for world unity, for international co-operation, and for the pacific settlement of international disputes, its strength as a system for the revision of treaties or for security has disappeared, at least for the time being. The superiority in power necessary to establish its authority in these matters no longer exists. It has vanished, partly because, as American experience from 1781 to 1787 and the experience of other leagues have shown, the retention of full national sovereignty inexorably undermines the power of any league of sovereign States to act together, and partly because certain nations, convinced that the League cannot solve their problems, have left it and gone into opposition. Even where the League nations are agreed, they can achieve the purposes of the Covenant only if they have military and economic superiority as well as moral conviction on their side. There are great areas of the world in which the League can bring no effective power to bear at all—for instance in the Far East. And elsewhere the number of League members who could be relied upon to take common

action, and the amount of strength they could exert, are unknown quantities.

A second conclusion is that if the socialist and democratic States were to join forces against the fascist States, as certain elements on the Left recommend, it is by no means beyond question on which side the preponderance of power would lie. The United States must certainly be counted out of such a system—though if a world war went on long enough she might be drawn in before the end. Most of the small nations would side with their strongest neighbours or stay neutral, like the Netherlands in the late war, rather than invite conquest, as did Rumania, by taking action against a first-class Power without hope of immediate and adequate reinforcement. The main combination would consist of Germany, Italy and Japan on the one side, and Great Britain, France, and Russia on the other, with a certain number of smaller States adhering to each. If there was war between them—and it would necessarily be world war—which side would win? Who can say? As always, the dictatorships would probably start with the advantage of the initiative and a concentrated attack; the democracies would probably last longer in resources and morale if that initial attack could be withstood.

But no sensible person wants to bring about such an alignment—a new alliance system as rigid as that which existed before the war, as certain to be dominated by the military time-table, and therefore as liable to be precipitated by a fool, a knave or an accident into a general war which nobody wants. Armaments are a sign of discontent with the existing settlement or of some kind of inner political conflict, such as the ideological clash between communism and fascism which is now disturbing the world. They are not necessarily a sign of a desire for war. It is almost certainly true that every general staff to-day is opposed to general war, if only because of the uncertainty of the result and because of the domestic disasters entailed by a prolonged war. It is far better to try to find a peaceful

solution of the problems that produce armaments than to drift towards a general explosion. This will involve some sacrifice on the part of the beneficiaries of the existing settlement, and some abandonment by everybody of the extravagant economic nationalism that has probably done more than any other single thing to reduce the world to its present condition. But if this sacrifice brings increased security for everybody, and improved prospects of peace, it will be well worth while.

Moreover, there is probably more time for this than at first sight appears. While the logic of diplomacy tends to drive the world into a new alliance system, the various nations principally concerned are not at all anxious to enter into military alliances, with the liability of having to go to war for other people's causes. There is no political affinity, for instance, between Russia and the British Commonwealth to-day, and it is only a common fear of Germany that keeps alive the treaty of mutual assistance—not yet a military alliance—between France and Russia. Similarly it is notorious that Germany has no great confidence in or liking for Italy or Japan, and would prefer an understanding with Great Britain, if satisfactory conditions could be reached. The tripartite anti-Comintern pact, though symptomatic of the dangerous tendencies of present-day diplomacy, is not yet a military alliance.

Again, the pressure of rearmament and the events of the last few years have at least had this effect, that the refusal of those who have benefited most by the peace settlement to consider any kind of change is rapidly disappearing; for forcible changes which they have been unable to prevent have already taken place, and further changes will certainly follow, especially in eastern Europe, unless they are prepared to fight a very formidable war to prevent them. The opinion of mankind is far more ready for peaceful change than it was in the heyday of a League largely dominated by France and Great Britain and the little nations who benefited by the war.

Thus prudence and common-sense alike point to a serious attempt to settle by diplomacy or conference the main differences that are producing the present armaments crisis. We need not discuss whether they should be tackled separately or together or in which order. That is for diplomatists to decide.

VI. The Duty of the Democracies

BUT there is another aspect of this vast question that is of equal importance. If the drive towards change by force or power politics has become a formidable factor in the present-day world—partly, at any rate, because of the difficulty of bringing about more than minor changes in any other way—there is serious danger that, unless the democracies wake up in time, the nations that have begun to use those means may get out of hand. They may threaten freedom itself, and with it all possibility of a stable and equitable international order. After failing to deal effectively with the problems of revision and economic nationalism, the democracies relied on moral protests unbacked by power when the process of effecting change by force began in 1931, and over Abyssinia and Spain made it clear that they would avoid the risk of war at almost any price.

That is, perhaps, the most dangerous aspect of the situation to-day. From the extreme of demanding sanctions and strong measures everywhere, regardless of their own ability to bring military superiority to bear at the critical point, the pacific Powers are now inclined to go to the opposite extreme and retire into neutrality and isolation. But it is quite clear that in dealing with great military Powers who seek to change the existing order, whether their ambitions are legitimate or not, the democracies can find security only in united action and by bringing superior strength to bear at the critical point. Not only must they be adequately armed for defence; they

must be willing to make clear the point at which they are prepared to risk war rather than retreat. The miserable story of international affairs in the last six years has been the inevitable outcome of threatening too much without adequate armaments, and of an obvious unwillingness to make a collective stand anywhere, even with the certainty of armed preponderance, if it involved the risk of war.

This pusillanimous attitude, indeed, creates a real risk of war, for it may induce some of the dictators to trespass too far, in the conviction that there is no point at which the democracies will fight. During the last year or two THE ROUND TABLE has criticised the popular dogma of "collective security" on two grounds: that it meant fighting to maintain an out-of-date settlement, and that security depended, not merely on public opinion, but on ability to bring effective military superiority to bear at the critical point. On the other hand, THE ROUND TABLE is resolutely in favour of adequate defensive armaments and of a vigorous and if necessary defiant foreign policy at those points where we are sure that, with our fellow members of the League and other friends, we can bring superior power effectively to bear. And for this purpose we consider that the nations of the Commonwealth should not only act together themselves but should also work in the closest co-operation with all other democracies, especially the United States. Good resolutions are effective in proportion as we are prepared to make sacrifices for them—not by rushing unprepared to certain defeat, but by building up sufficient strength in times of peace to ensure that where it is used in a just cause no one will readily challenge it.

For the time being, a united, peaceful and ordered world is out of sight. Changes in the existing settlement will have to be made before that vision returns and democracy comes once more into its own. But if such changes are to be kept within the bounds of justice, if the democracies

are to preserve their institutions and their freedom, still more if the prestige of democracy as a way of life is to revive, they must learn to act together in defence, and to play with the dictators the poker game of power politics according to the rules that will govern it so long as nations insist on retaining their full national sovereignty.

Perhaps the most urgent question is whether it is not possible to restore that command of the seas in the interests of liberal democracy which Great Britain was able to exercise in the nineteenth century but can maintain by herself no longer. For a century such command of the seas prevented world war. It can certainly be re-established if the English-speaking nations are willing to act together for the purposes of peace. The speech of the President of the United States at Chicago on October 5 shows that leaders of American opinion have come to realise that a merely negative policy of isolation and neutrality may eventually be fatal both to the vital interests and to the ideals of the United States itself. As the President said, lawless power unchecked will eventually involve the whole world in anarchy and war. The possibility of limited co-operation with the United States on the high seas for the defence of free institutions is greater to-day than it has been since 1920. And in the long run it is the success of the democracies in giving freedom and employment and a decent standard of living to all their people, and in repelling onslaughts on their institutions and possessions by rival systems, either from within or from without, that will eventually convince the rest of mankind that democracy is the right road. Only thus can we re-create the conditions in which the search for lasting peace under a reign of law governing all nations, symbolised but not achieved by the Geneva League, will once more become a practical possibility.

THE MIND OF JAPAN

By a Correspondent in Japan

I. Cant and Conformity

THE present Far Eastern conflict is so complex in its nature and so confused in its origins that the most intelligent Western student of international affairs may be pardoned if he gives up the attempt to understand it, and takes refuge in condemning unconditionally the participant who appears, on circumstantial evidence, to be the aggressor. Japan has in recent years so definitely cast herself for this unhappy rôle that, even with the best case in the world, she would now find it difficult to justify herself before public opinion in America and in those parts of Europe where public opinion survives. It must be admitted, too, that the Japanese have proved themselves singularly incapable of explaining their own position in such a way as to obtain a hearing, much less a sympathetic hearing, in English-speaking countries. They have a habit, which saddens their friends and infuriates their adversaries, of defending themselves and reproving others in terms so devoid of meaning as to give the impression that, having really nothing to say, they are merely emitting a smoke-screen.

It is true that the Japanese have not a monopoly of silly political phrases, for the world to-day reverberates with them. But, when a responsible statesman asserts that Japan wishes to be friends with China at a moment when Chinese towns are being bombed and battered to destruction, one stops to wonder whether his ideas of the use of language have anything in common with our own. The wonder increases

when one comes upon such a passage as this, from the *Mijako* newspaper of October 2:

Premier Konoye says that the object of the war is Sino-Japanese friendship and Foreign Minister Hirota declares that Japan has no territorial designs. We fear that Japan may lose the effect of its victory through these declarations. We have no idea of forcing China to cede territory to Japan, but we insist that the present war has testified that it will be repeated in the future unless a certain area of China is surrendered. As a victor, Japan must properly insist upon this.

It ill becomes European critics to take a high moral tone with Eastern peoples on the point of territorial acquisition. The treaty of Versailles is too near in time to permit us to argue that we are now repentant and reformed. But, even as hardened sinners, our advice to Japan would be that, if you want to convince foreign countries of the purity of your intentions in making a war, you should at least wait until you have won it before announcing that you will not keep your promises.

A similar ineptitude is to be seen in almost all Japanese statements and rejoinders in the hot exchange of accusations that is now taking place between the two countries, to a chorus of denunciation from abroad. The Chinese occasionally admit that they have been wrong, the Japanese consistently assert that they are always right, forgetting the law of probability and human disposition to err. The result is what might have been foreseen—that sympathy veers towards China and away from Japan, Chinese shortcomings being condoned and Japanese misbehaviour magnified. Many Japanese will tell you that they are "bad at propaganda" because they do not understand "foreign psychology". They feel, you might cynically suppose, that they have only to find the right way of putting it to get anything believed. But this is an unjust reading of the case; for the Japanese really are unskilful at presenting their own side of a question, and if there is one thing clear in the present muddle it is that they entertain no serious doubts as to the fundamental justice of their cause.

This is not to say that they are waging war with enjoyment and enthusiasm. On the contrary, there are many signs that the people in general do not like the way in which things have developed, while the simpler ones among them are plainly puzzled and surprised by the dimensions that the conflict has now assumed. They had not been stirred up by a sense of immediate danger, as they were in the Russo-Japanese war, and they feel dimly that the cause may not be worth the sacrifice. But there is no sign of more than a mute dissatisfaction, and no reason to believe that national unity is in any way weakened or likely to weaken. Indeed, the prolongation of hostilities will diminish rather than strengthen any such latent opposition as may exist. The most one can say is that it is not a popular war, and all but very bellicose groups would like it to come to a very early end.

These may be taken as the main features of public sentiment. It is important to understand that in Japan public sentiment is not a dynamic element in national life. The history of opinion in Japan is a long record of conformity, so that, even without active repression by authority, open opposition to declared national policies is almost an unknown thing. It may therefore be said that for international purposes Japan is unanimous; and it is a corollary to this proposition that any hint of outside criticism, not to speak of pressure or intervention, tends to make the Japanese sink their differences and close their ranks. This is an important point to bear in mind when considering what steps may be usefully taken by any country that wishes to see the Sino-Japanese dispute brought to a speedy end. Sympathetic criticisms may in the long run have some effect, but moral condemnation and half-hearted threats of pressure or intervention are not merely useless, but positively harmful. The Japanese, like all of us, hate preaching; and sermons from Great Britain in particular sound to them like warnings from a reformed burglar living in comfort on his swag.

Perhaps these considerations are enough to answer the doubts of those puzzled readers of the news from Japan, who ask whether the Japanese people really believe the pronouncements of their leaders, and who want to know what value to attach to such statements as that of the Prime Minister on September 9:

> Japan has always desired permanent peace and order in the Far East. It has for that purpose sought co-operation with China in the firm belief that in such co-operation lies the sole means of safeguarding the peace of the whole world. . . . This has always been the fundamental aim of the Japanese Government, whatever may have been the policy it has adopted in accordance with prevailing circumstances. . . . China has failed, however, to meet the expectations of Japan. . . . It has wantonly infringed on the interests and rights enjoyed by Japan in its territory and thus brought on the present unhappy incident:

or the speech of the Foreign Minister in the Diet on September 5:

> It is hardly necessary to say that the basic policy of the Japanese Government aims at the stabilisation of Eastern Asia through conciliation and co-operation between Japan, Manchukuo and China for their common prosperity and well-being. Since China, ignoring our true motive, has mobilised her vast armies against us, we cannot but counter by force of arms. . . . Let us hope that the statesmen of China will be brought to take a broad view of Eastern Asia, that they will speedily realise their mistakes and act in unison with the high aims and aspirations of Japan.

To the ordinary English reader these solemnities are so much humbug; but that is because he does not realise that every nation has its favourite brand of political narcotic, and what is distasteful to one may be swallowed readily by another. To anyone familiar with Oriental history there is an almost classical flavour in the pronouncements of Japanese statesmen to-day. When a Cabinet Minister talks of punishing the Chinese for their audacity or of spreading the blessings of Japanese rule over benighted areas of China, or when a leader-writer reproves the Chinese Government for lack of sincerity and comprehension, we seem to hear echoes of recorded utterances of

the worthies of Far Eastern antiquity. It is in ancient Chinese chronicles that we find wars of conquest politely described as excursions to spread righteousness among ignorant peoples, or to bring barbarians under the influence of a benigner culture. Such hyperbole is, of course, rather irritating if one is not familiar with the vocabulary; but it must be looked upon, not as exactly representing, but as in some way corresponding to, what the speaker believes. A resort to euphemism does not by itself prove that a speaker has a bad case. It might even be said of Japanese statements of policy that they spring from a praiseworthy desire to explain Japanese actions in terminology which has become fashionable under the influence of the League of Nations. Such phrases as "stabilisation" are tokens from the same mint as "collective security".

II. The Stabilisation of Eastern Asia

IT is therefore best not to pay much attention to the more ornamental utterances of statesmen. Fortunately they do not always use what we may style the formulæ of apologetics. When pressed they put their case more crudely. The official rejoinder to President Roosevelt's Chicago speech of October 5 is worth examining from this point of view. It is, in part, as follows:

> The population of Japan has doubled in the past fifty years, being crammed in such a limited area. If Japan wants to send out her people, all the outlets are denied by other countries everywhere.
>
> The American Japanese exclusion law of 1924 is one that is against the natural law of mankind which is greatly deplored by the Japanese people.
>
> We hear of late the heated argument on the unequal distribution of resources as between the "haves" and "have-not" countries. If the "haves" refuse to concede to the rightful demand of the "have-nots", peace will be very difficult to maintain, but Japan does not make any demands on this point as her right.
>
> The idea of right as conceived by the Western people is incompatible to that of the Oriental.

Japan's only demand is that her people be entitled to enjoy the freedom of movement and the happiness which is rightfully theirs.

If the President of the United States had the present Sino-Japanese affair in mind in making the reported speech, the remarks I have just made will be equally applicable to the present issue.

Japan's intention to carry on her peaceful development in the Continent is not for the sake of the happiness of Japan alone but also for that of the Chinese. What Japan wants is peaceful co-operation between Japan and China. That co-operation China refused by force of arms, resulting in the present affair.

We are confident that the thinking people of China will realise the true intentions of Japan and the Japanese people and take the course of mutual aid and co-operation for the peace of East Asia and for the world.

This is a Have-not argument, directed against a Have, and though it is not entirely convincing, it is vastly superior to high-flown rhetoric about Chinese misdeeds.

There can be no doubt about the warmth of feeling behind this statement. When President Wilson ruled out the Japanese proposal to insert a racial equality clause in the League Covenant, he laid the foundation of a resentment, intensified by the Exclusion Act of 1924, which has been one of the main factors in consolidating Japanese policy. It cannot, of course, be proved that but for these events Japan's foreign policy would have followed a different line. Its general direction would no doubt have remained unchanged, though its methods and temper would probably have been modified. But we may be sure that the blow to Japan's pride and the check to her aspirations caused by the restrictions of the Nine-Power treaty, following upon the failure in the racial equality issue, were important factors in producing the intensive phase in both domestic and foreign affairs which opened with the Manchurian incident of 1931. And it seems to be the sad truth that, on a short view at least, the League's condemnation of Japan in 1932 did nothing but strengthen the forces of nationalism; for certainly since that date such liberalism or internationalism as existed in Japan has gone to ground.

To a foreign observer resident in Japan during those years, the contrast between the political and economic stagnation of 1930 and the feverish developments of 1931 and after was positively alarming. To the Japanese people as a whole it was stimulating, even heartening; and it is probably sound to regard the present critical position as an unavoidable stage on the road then taken, rather than as the result of more recent initiative. Indeed, the weight of evidence shows that technically the Japanese Government can plead self-defence with some justification in the present crisis; for they seem to have miscalculated the temper of the Chinese Government after the night-manœuvre incident in North China in July, and it is fairly clear that they hoped not to be involved in hostilities of a serious character at Shanghai. But of course the events of July 1937 were fore-ordained at least as far back as 1931, if not earlier. It is sometimes suggested that Japan has been emboldened by the example of Germany and Italy to throw overboard obligations which seemed to hamper her development; but the sequence of events is not consistent with this hypothesis. Japan's struggle to free herself from restraints imposed upon her by Western Powers dates back at least to the days of the unequal treaties—say to 1894—and no reading of present policy is correct that does not take this fact into account.

It may be objected that in the last decade or so no other Power has attempted or even desired to check Japan's legitimate aspirations, and this is true if it means simply that the great Powers no longer dare take such repressive measures as they took, for instance, after the Sino-Japanese war in 1895. But their policies have nevertheless acted in restraint of Japanese expansion, and we must not blind ourselves to the fact that what Japan desires to-day is no longer parity but superiority, at least in Eastern Asia. The argument of the Japanese is, as has been shown above, that they must expand, that they are debarred from expansion in all directions by restraints upon their immigrants

and their exports. In China alone is there room for their development, if only they can persuade the Chinese to make common cause with them. To the Japanese this is so obvious and so reasonable that the refusal of the Chinese to collaborate angers them. They see as their neighbour an immense country, now backward and disunited but capable of great development. Its potential strength is to them at the same time a temptation and a menace. If they could somehow play a leading part in the development of China, they would be able to shape events so as to secure an economic outlet while averting a political danger.

The plan presents such obvious advantages that from thinking it expedient they have come to think it necessary; and from thinking it necessary for Japan they have come to think it desirable for China. Nations, like individuals, are given thus to rationalising their wishes, and it would be a mistake to think that the Japanese do not honestly feel that they would, given the opportunity, contribute (in their own phrase) to " the peace of the world and the stabilisation of Eastern Asia ". It is true that, if only Japan and China could agree, Eastern Asia would be among the happy regions of the globe; for Japanese drive and discipline combined with Chinese strength and skill could accomplish miracles. But, alas, they cannot agree, and each rebuff that Japan receives from China, each rejection of a peaceful overture, each failure to submit to pressure, instead of convincing the Japanese that their judgment has been at fault, merely angers them and urges them on to still more drastic courses.

It is this alternation of methods, this swing from persuasion to coercion, that, combined with the almost transcendental language in which Japan habitually declares her attitude, makes her policy so hard to understand. Its general direction is clear enough, but its hesitations and deviations need to be explained. Its apparent incoherence is probably due in a large measure to strains in domestic politics. In these matters it is hard to distinguish between

cause and effect, but it is most likely that the direct cause of the Manchurian "incident" of 1931 was the political and economic stagnation mentioned above. The "forward" elements in Japan wished to break out of this position of deadlock, and the easiest exit was in continental adventure.

The success of the Manchurian *coup* was not alone sufficient to put power into the hands of those "forward" elements, and the most extreme among them felt it necessary to remove opposition by physically eliminating their opponents. Since the assassination of Inukai in May 1932 a process of "purging" has continued, sometimes by simple pressure, sometimes by violence, as in February 1936, when disaffected army officers struck down Saito, Takahashi and other leading statesmen. These last excesses did not, in fact, succeed in wresting power from the hands that already held it; but they had the effect of consolidating the strength of the military elements in the Government, since the army leaders, having dealt drastically with the mutineers, were able to claim that only they could handle the situation. Thenceforward those military elements became more and more dominant in the Cabinet, leaving little but a semblance of party rule. There was no effective opposition to their programme, which, allowing for minor fluctuations, was to concentrate national effort upon the increase of armaments and to consolidate national feeling in favour of a "strong" foreign policy in relation particularly to China and Soviet Russia.

III. A Clash of Nationalisms

THIS brief analysis of political trends is misleading if it gives the impression that Japan has recently passed through a phase of struggle between two strongly opposed camps of extremists on the one hand and moderates on the other. There is no such line of cleavage in Japan. There is only a gradation from what in England would be called

old-fashioned liberalism, so scarce as to be negligible, to an ultra-nationalism of fascist type. But political groupings in Japan cannot be accurately described by Western labels, and it is best to assume that effective opinion in Japan is united over the main objectives of Japanese policy but divided over the methods that it should adopt. There are differences of judgment as to the appropriate speed and route, but nobody seriously questions the destination, which is the hegemony of Eastern Asia. If China can be persuaded to accept Japan's ascendancy, so much the better. If she cannot be persuaded, then she must be coerced.

The natural desire of a vigorous and self-confident nation for expansion combines with fear of a new and reorganised China to put Japan in a position very similar to that of Germany in 1914. There is the same energy, the same industrial growth, the same search for trade outlets, the same fears of *Einkreisung*. It does not matter whether those fears are real or imagined, so long as they are operative; and their result is to override all scruples that might otherwise be felt as to the legitimacy of an aggressive policy.

Suggest to an average intelligent Japanese that his country has more to gain by peaceful development at home than by imperialist action abroad, and he will reply that methods of conciliation have been tried and failed, that it is impossible to cope with Chinese arrogance and trickery, and that Japan now must reluctantly use force. These arguments cannot be dismissed as merely disingenuous. They do represent a genuine feeling, however misguided it may be. Indeed, it is one of the ironies of the situation that it is precisely the good qualities of the Japanese that produce the incompatibility of temperament with the Chinese. The Japanese as a people have strict notions of duty and obligation, they like things arranged and organised, they are justly proud of their achievements and confident of their ability. The Chinese are cynical and slap-dash, they do things on a grand, untidy scale and they match

Japanese pride with an ineffable consciousness of their own fundamental greatness.

Thus, even were Japanese terms to become surprisingly moderate, there would be little hope of lasting agreement. Spasmodic attempts to conciliate China have been made by Japan ever since the régime of Baron Shidehara, but they have never succeeded, or indeed had any chance of success so long as ultra-nationalists in each country retained the power, if not to control, at least to obstruct, foreign policy. In each country the forces of nationalism are so easily mobilised, and so nervous of surrender, that they come into play long before any conciliatory policy can even begin to show prospects of success. In this sense it may be said that the internal politics of China have contributed, almost as much as the internal politics of Japan, to making impossible a peaceful solution of Sino-Japanese problems.

IV. Problems of the Future

As to the future, nobody can safely predict. It is doubtful whether the Japanese Government sees its way clear. The military situation is developing favourably to Japan, though perhaps not so fast as had been hoped; but when Japan has reached her military objectives in North China and round Shanghai her difficulties will be by no means ended. She will doubtless desire to establish some kind of buffer state in North China, and this may be feasible if the Chinese armies are sufficiently broken. Unless, however, she deprives China of all power of retaliation for a great number of years, she will be assuming responsibilities on the Asiatic continent so costly and troublesome that such economic advantages as she can gain from conquest will scarcely compensate her for the effort; and, if she weakens those parts of China which she cannot dominate, she runs a risk of losing a great market and of creating conditions favourable to the communist influence that she professes most to fear in neighbouring territories.

No doubt these problems are causing great anxiety to Japanese statesmen to-day. Many of them are alive to the dangers of a programme of constant coercion. This is clear enough from past events, since most of Japan's internal dissensions in recent years have arisen from disagreement between the party that desired prompt and drastic action in China and the more cautious and experienced politicians, soldiers and sailors who at different times since 1931 have put the brake on movements south of the Great Wall, because they saw more clearly than the others to what a succession of difficulties such movements might lead. Once past the Great Wall, there is no logical terminus to an invasion, unless it is to overrun the whole of China.

All depends finally upon the power and will of China to resist, and these are unknown factors because they have not so far been fully tested. Japan, on the other hand, has adequate resources for a long campaign. Her naval and military strength is overwhelming in point of training, equipment and munitions. There can be no question of her determination; and even her economic resources, slender as they are, have been so skilfully husbanded that she need have no serious anxiety on the score of materials or money for a year or more.

Japan,
October 12, 1937.

PALESTINE AND THE ARAB WORLD

I. After the Report

DURING the summer and autumn, the outlook in Palestine has in one sense improved and in another sense deteriorated. It has improved in so far as progress has been made towards putting into operation the constructive proposals of the Royal Commission. It has deteriorated inasmuch as the period of comparative quiet, during which the Commission was able to carry out its investigations on the spot, has now been brought to an end by a fresh outbreak of disorder—though happily not on the same scale as the virtual insurrection of last year.

At Geneva, the partition plan proposed by the Royal Commission and sponsored by the Government at Westminster has now been put through the mills of the Permanent Mandates Commission, the Council and the Assembly, and it has survived this rather formidable ordeal. The mandatory Power has now formally been given authority to negotiate with the Arabs and Jews—provisionally, and subject to the League's approval—for a settlement on the lines that the Royal Commission sketched out. Another milestone has thus been passed on a road which cannot, in the nature of the case, be either short or easy going.

Unfortunately, the achievement of this progress at Geneva in the course of September was forestalled, early in the same month, by the beginning of the new bout of violence in Palestine itself. On September 4, which was the date of publication of the minutes of the Permanent Mandates Commission, a fresh series of murders began with the shooting at Haifa of an Arab landowner who had sold

—or negotiated for the sale of—land to Jews. In this place, it would be out of proportion to attempt anything like a catalogue of the succeeding crimes; but we may mention a pair of murders—one of an Arab land-broker near Acre and the other of a Christian Arab landlord near Nazareth—which were perpetuated on September 25; for these were the immediate prelude to the murder at Nazareth, on September 26, of the District Commissioner for Galilee, Mr. Andrews, and a British police-constable who was with him. It is perhaps significant that the scenes of these crimes all lay in areas with a large Arab population which had been marked down, in the Royal Commission's scheme, for inclusion within the frontiers of the proposed Jewish State.

The murder of Mr. Andrews was followed by drastic action on the Palestine Government's part. On October 1 warrants were issued for the arrest of six of the most prominent of the Palestinian Arab nationalist leaders, and five of these six were deported overseas. The Arab Higher Committee, and its local branches throughout Palestine, were proclaimed as illegal associations. And the Mufti of Jerusalem was deprived of his offices as president of the Supreme Muslim Council and chairman of the committee for the administration of Muslim Pious Foundations (*Awqaf*). Thereupon the Mufti took sanctuary in the Haram ash-Sharif, and in the middle of October he slipped out of Palestine in disguise and made his way by sea to the Lebanon, where he was detected and put under detention by the French authorities. Meanwhile, the series of crimes continued, and on October 21 it was announced that an experienced and determined official of the Indian Police, Sir Charles Tegart, had been appointed adviser to the Palestine Government on matters relating to police organisation. On October 28 it was announced that the British High Commissioner in Palestine, Sir Charles Wauchope, had resigned for reasons of health—and indeed it was not to be wondered at that he should be suffering from the strain of grappling for six years

with troubles, not of his making, which happened to come to a head during his term of office.

While these events have been taking place in Palestine and at Geneva, it has been possible to some extent to gauge the reaction of the Jews on the one hand and the Arabs on the other to the partition plan. On the Jewish side, it is fairly evident that the plan will be acceptable without insistence on modifications that would substantially change its character. The prevailing considerations in Jewry are, first, the urgent need of finding a Palestinian asylum for German, Polish, and other central European Jews for whom life is being made impossible in their own countries; and in the second place the probability that this problem will be taken up by the Government of a Jewish State—however small its territory—more energetically and effectively than it could ever be dealt with in an unpartitioned Palestine by a mandatory Government that would necessarily continue to be bound by the juridical terms of the mandate and by the diplomatic necessity of holding an even balance between Jewish and Arab interests. In combination, these two considerations are so cogent that they are likely to overcome the resistance of both the sentimentalists and the totalitarians in the Jewish camp.

On the Arab side, it is not such plain sailing; for here there is still a lively hope that a posture of intransigence may enable the Arabs to get rid of Zionism altogether, even from the narrow territorial limits within which it is now proposed to confine the Jewish State. The Arabs are still demanding an all-Palestinian Arab State which would confront the Jews in Palestine with a choice of either emigrating or else acquiescing in the unenviable position of a hated subject minority.

Moreover, it is not only the Palestinian Arabs who are adopting this intransigent attitude. In the second week in September a Pan-Arab congress, which was widely representative, met at Bludan in Syria under the presidency of a former Prime Minister of 'Iraq and passed a resolution

declaring that Palestine was an integral part of the Arab fatherland; that the Arab nation rejected the idea of partition; and that the congress demanded the annulment of the Balfour Declaration, the abrogation of the mandate, and the conclusion of an Anglo-Palestinian treaty recognising the sovereign independence of Palestine and establishing a constitutional State which would guarantee such minority rights as were usually recognised in current international practice. At Geneva, a few days later, the partition plan was opposed, on the same grounds, by the delegations of Egypt, 'Iraq and Iran to the Assembly of the League. Saudi Arabia has so far maintained a studiously non-committal attitude, and the distant Yemen is ruled by a sovereign who cares for none of these things.

On the other hand, the wave of Arab nationalism has, only this autumn, washed westward along the Syrtes and broken upon the French protectorates and departments in north-west Africa; and its most violent impact has been at the furthest point—in Morocco. Hitherto the "Maghrib al-Aqsa" or "Far West" of the Islamic world has been little affected by the current of modern Arab nationalism that has welled out of the soil of Egypt and Syria. This latest extension of the movement is likely to affect Palestine in two ways. Owing to the introduction of our modern Western means of communication, the whole Arab world has now become so highly conductive that a shock, or even a tremor, in one Arab country is apt to produce repercussions in others, even though they may be separated from the immediate source of the disturbance by the combined lengths of the Mediterranean and the Syrian Desert. The second point is that each extension of the range of Arab unrest adds to the embarrassments of the two western European Powers—Great Britain and France—who hold, between them, all but one of the Arab countries that have neither retained nor regained their independence. The exception, of course, is Libya; but his tenure of this Arab territory has not so far deterred Signor Mussolini from

playing with the idea of turning an Arab screw on his western European rivals.

II. Economics and Strategy

THIS is the setting in which we have to examine the Palestinian situation as it stands to-day. In the last number of The Round Table attention was necessarily concentrated upon the political issues that were the main subject of the Royal Commission's report. At the present stage it may be useful to enlarge our survey to take in the economic and the military aspects of the Palestinian problem.

In the economic sphere, the most obvious reflection is that both the proposed Jewish and the proposed Arab States in Palestine will have poor prospects if they cannot bring themselves to co-operate with one another. The Jewish community in Palestine has been building up, with a marvellous rapidity, a number of secondary industries with only a precarious foreign market. In particular, the market for Palestinian citrus-fruit can hardly fail to be glutted at a date that now cannot be very far ahead. On the other hand the Arab peasantry in Palestine—and to a large extent also in the adjoining Arab countries, so far as these are capable of being cultivated at all—have so far been content with a primitive kind of agriculture which hardly yields them a subsistence and which provides them with no surplus at all for purchasing the products of industry. For Eretz Isroel and for the surrounding Arab States alike, the key to prosperity will lie in raising the productivity of Arab agriculture to a level at which the fellah can begin to provide urban industries with a market, and then adapting the present Jewish industries in Palestine to the modest task of catering for the at first very simple needs of a gradually improving Arab customer. Economically what is needed is that the Jewish agricultural expert should go forth as a pioneer—with the Jewish commercial traveller in his wake—not only into the hill country of Ephraim

[illegible] formed [illegible] moment this [illegible] utopian as, shall [illegible] project for the economic rehabilitation of the central European successor-States by the technicians of Germany. In Palestine the road towards prosperity is at present blocked, for Arabs and Jews alike, by political obstacles that will not be either easily or quickly surmounted.

While the economic aspect of the Palestinian problem is, from first to last, a joint Arab–Jewish affair, the military aspect is primarily a British concern and is likely to remain so for an indefinite time to come. This is serious for us, because our military commitment in Palestine—it is best to admit this frankly—is an extremely awkward addition to the burden of imperial defence on land. On first thoughts this statement may seem paradoxical. Here is an empire that already occupies and defends about a quarter of the land surface of the earth; and it has now added to these vast responsibilities a liability for the military protection of a Palestine that is no larger than Wales and of a prospective Jewish State in Palestine that will probably be no larger than a fair-sized English county. How can the British Empire be seriously affected by this apparently infinitesimal addition to the military demands upon it? The answer is to be found in a comparison of our present with our pre-war liabilities for imperial defence.

Before the war, our defence position was extraordinarily favourable. To begin with, there were then still only two arms—the navy and the army—to compete in; and our liabilities on land, apart from problems of internal order, were confined to the maintenance in Great Britain of a small expeditionary force and to the defence of a single land frontier in Asia. Moreover, the maintenance of the North-West Frontier of India was a matter rather of police than of defence in the European sense of the word. It was not the sort of frontier that France had to defend against

Germany or Austria-Hungary against Russia. It was much more like the old Indian frontier of the United States. The enemy who had permanently to be held at bay were primitive tribesmen whose aims and powers were limited to making raids in quest of plunder, and who were incapable of attempting anything like a regular invasion or conquest. And this chronic brigandage was really all that we had to cope with; for Afghanistan, which lay in the rear of the independent tribesmen, was still a backward and ineffectively governed Oriental empire, and though Afghanistan, in its turn, backed on to Russia, "the Russian threat to India" was a chimæra that had not even been a live bogey since 1885.

Thus our two pre-war military commitments were both of them modest, and when we had made provision for them the rest of our resources for defence were at our disposal for throwing into an unlimited competition at sea. On this basis, we were rich enough to keep up an unchallengeable naval supremacy on a two-Power standard, and we had no other defence commitment that the navy could not look after for us. Egypt, for instance, was at that time virtually as much of an island as Great Britain or Australia. Before the days of Mussolini, neither Egypt itself nor the Anglo-Egyptian Sudan had, for practical purposes, a military land frontier either with Libya on the west or with Ethiopia on the south-east.

We have only to remind ourselves of this pre-war picture in order to realise how vastly it differs from the present one. To-day, for instance, we have three arms to consider instead of two; we are involved in unlimited competition with other great Powers in the air as well as on the sea; and the reduced proportion of our total resources for defence that we are now able to allocate to defence on land has to be distributed between a number of liabilities which, though happily still not unlimited, are nevertheless more numerous than our corresponding liabilities for land defence before the war. In Europe, our pre-war commitments have now

crystallised into an undertaking to come to the assistance of France and Belgium with all our strength should either or both of them be victimised by an aggressor. In Asia, our commitments to India and Egypt remain; we have added to them two fresh commitments—one to 'Iraq and the other in Palestine; and Egypt has been transformed, in the strategic sense, from an island into an integral part of an increasingly militarised African continent. This is the light in which our liabilities for defence on land in Palestine ought to be examined.

One fact that seems clear is that, from a strictly technical point of view, in abstraction from the political factor, the partition plan would lighten our Palestinian military problem. Under present conditions, the British army's task in Palestine is to deal with a general insurrection which is never far below the surface and which, even at its quietest moments, is effervescing in sporadic outrages all over the country. This means guarding every railway culvert and convoying every bus, not to speak of protecting every scattered Jewish settlement; and, when the hidden enemy is in one's rear and all about and underground, the strength of the force required to hold him down is out of all proportion to his numbers or to the area of the territory that has to be defended. It would make a less heavy demand on the army if they could be assigned a frontier in Palestine and told that they were to hold this line against all comers from the other side of it. This would be easier for them even if the line were tortuous and strategically awkward, and even if the people on the other side were definitely hostile—as might be the case if we failed to secure an Arab-Jewish agreement for the partition plan and therefore were compelled to carry it out ourselves without the consent, at any rate, of the Arabs. The frontiers of the proposed Jewish State and of the residual mandated territory could no doubt be held by the British army with less expenditure of energy than we are having to make now in order to hold the whole country.

There is, however, one flaw; and that is that the partition plan does not completely eliminate the potential enemy in the rear. The Royal Commission's tentative frontier-line would leave about a quarter-of-a-million Arabs on the Jewish side, so that the conversion of the military problem of holding down a population into the simpler problem of guarding a frontier would at the best be imperfect. The removal of the Arab minority from the Jewish State by voluntary or, in the last resort, compulsory emigration would be a long business which might never be finished. It is therefore impossible to predict the date at which the military problem in Palestine could be reduced entirely to a frontier problem, and *a fortiori* impossible to foresee when the British army would be able to hand over the duty of guarding this frontier to the national forces of a consolidated Jewish commonwealth. However tight a Jewish Government might succeed in packing a Jewish State in Palestine with Jewish settlers, it is unlikely that an Eretz Isroel of the dimensions of a single English county would ever be able, unaided, to hold its own against a hostile Arab world extending from the Arabian shore of the Persian Gulf to the Moroccan shore of the Atlantic. In a hostile environment of that wide sweep, the diminutive Jewish State would be faced all the time with the prospects of economic strangulation and military annihilation.

III. Greater Arabia and the Western Powers

THESE military considerations point to the same conclusion as all the other lines of thought that we have been exploring: that the key to the problem of Palestine lies in the relations between the British Empire and the Arab countries round about. Without the co-operation of those countries, neither the economic nor the strategic problems of the new Palestine can be solved. Without at least the passive assent of the Arab people, the construction of a Jewish State—though necessarily remaining a firm

element in British policy until it can be replaced by some other agreed device for reconciling the claims of Jews and Arabs—can be little more than a political *pis aller*. The British Government is indeed bound by its promises and by the facts of the case to negotiate with all parties concerned before presenting to Parliament and the League a final scheme; and having rejected the nominal spokesmen of Arab opinion in Palestine itself, it may well be at a loss to find negotiators of authority on the Arabs' behalf unless it turns to their leaders beyond the Jordan and the Sinai desert.

In the war of 1914–18, the Allies presented themselves as the champions of the cause of Arab nationalism, and they profited both militarily and politically from this alliance with the Arabs as well as from their alliance with Zionism. But unfortunately our championship of the Arabs was not single-minded. While we were quite glad to promote the independence of the Arabs in a general way, we were at the same time drawing cheques on the fund of Arab independence which the Arabs could not be expected to endorse since they were drawn for purposes with which the Arabs could not sympathise. We drew one cheque in favour of Zionism in Palestine, another in favour of traditional French aspirations in Syria, and a third in favour of traditional British–Indian strategic desiderata in 'Iraq. In the course of twenty years, some of these drafts have been at least partially refunded. 'Iraq, for instance, is to-day a genuinely sovereign and independent Arab State, and not either a British protectorate or an Indian province. Syria is at last on the road towards gaining the status of genuine independence that has already been attained by 'Iraq; and in the African half of the Arab world a signal first step—which can hardly fail to have sequels further west—has been taken in the conclusion of an Anglo-Egyptian treaty, which at last puts back upon the political map of the world a genuinely independent Egypt. Great Britain and France have thus already gone far towards honouring their

war-time engagements to the Arabs in the spirit as well as in the letter.

But even if we have now to a large extent fulfilled our bond, we have not done so with a consistently good grace. In 'Iraq, in Syria and in Egypt alike, an Arab people has only wrested its independence from unwilling British and French hands at the cost of a long and at times violent struggle. And the happy endings that have now been given to these three stories have not availed to erase all bitter memories from Arab minds. This lingering bitterness shows itself in the present attitude of the Egyptians and 'Iraqis towards the continuing struggles of their brother Arabs, in Palestine and in north-west Africa, who are still under British or French rule. And, for an enemy who wanted to sow tares in French and British fields, it would be easy to hold up the two western European Powers to odium and contempt in Arab eyes as hypocrites who boast of themselves that they are democrats and at the same time cling to an imperialism which—as Arab experience has proved—will yield to nothing but superior force.

Does this thrust go home? Are France and Great Britain really irreconcilably opposed to legitimate Arab aspirations? Must Anglo-French imperialism and Arab nationalism inevitably fall foul of one another? If the answers to these questions are in the affirmative, then it is a bad look-out for both the western Powers and the Arabs in peace-time and a worse look-out in the event of another general war; for in that event, under these unhappy conditions, the Arab world might become an arena for a conflict between European, and perhaps also Asiatic, great Powers from outside. The answer to these questions will evidently partly turn upon the course of events in Palestine; and we have to face the possibility that the irreducible minimum upon which we must there insist in order to discharge our obligations to Zionism may be taken by an intransigent Arab nationalism as a symbol of our mortal enmity to the Arab cause. Nationalism is always apt to be passionately

unreasonable. Yet surely we need not resign ourselves to letting our relations with the Arabs take this tragic turn. If one looks at the situation from the Arab point of view, there are strong arguments for choosing the path of collaboration with Great Britain and France, instead of the path of conflict with them, as the most promising way of securing the future of the Arab peoples in a dangerous and turbulent world.

Great Britain and France have opponents in the world to-day who are fond of describing them as sated Powers whose destiny is not to increase but to decrease. If, for the sake of the argument, we were to accept this picture of ourselves, we might suggest to the Arabs that Powers in this mood and in this stage are likely to be less awkward associates for adolescent nations than the Powers which to-day are on the war-path with an eye to satisfying a lusty appetite for expansion. The recent French and British concessions to the Arabs may not have been made with the best grace; but in substance they have gone a remarkably long way in a remarkably short time; and they are likely to go further. If there are certain points—for instance the question of establishing a Jewish national home in Palestine —on which we cannot yield, the Arabs have still to consider whether the proposed Jewish State, within the modest territorial limits that have been suggested by the Royal Commission, is so large a bite out of the Arabs' total territorial claims as to compel them to part company with their old friends in Europe in order to keep what might prove to be more dangerous company. Would so momentous a change of Arab policy be warranted by the extent of the Arab interests now at stake in Palestine—within the narrow limits to which the territory at issue has now been reduced?

We raise these considerations in the hope that they may be pondered in the minds of some of the Arab statesmen who are responsible for the policies of the Arab countries by which Palestine is surrounded. The diminutive Jewish

State which is now all that the Arabs are being asked to concede in Palestine would not, after all, be cut bodily out of the Arab world. As we have suggested above, this Jewish State could only prosper materially by co-operating with its Arab neighbours to the common economic advantage of both parties. Is this too high a price for the Arabs to pay for the friendship of Jewry? No one can do without friends; and a truth which holds good for even the strongest and most self-sufficient Powers must be true *a fortiori* for a group of peoples whose strength is well below the mark of their great memories and their perhaps equally great aspirations. The Arab world—stretching as it does from Syria to the Yemen and from Morocco to 'Iraq—is imposing in its sheer physical extent; but by the same token it lies in a peculiarly exposed position. It occupies the land-bridge between the three continents of the Old World, and it is flung across the sea routes that link Europe with India and the Far East. In a lawless and predatory world, this commanding position has a strategic value that is bound to attract the covetousness of ambitious Powers on the war-path. On this showing it might be disastrous for the Arab peoples, as well as for the two western European Powers, if the existing association between them were to break down over the burning, but at the same time local and limited, question of a Jewish national home in one fifth part of the tiny country of Palestine, which is itself so small a fraction of the great patrimony of the Arab race.

FRANCE UNDER THE POPULAR FRONT

ONE of the great puzzles of the world of 1937 is the political destiny of France. To no country is this more important than to Great Britain, and through her to the other nations of the British Commonwealth. "At the moment it so happens," said Mr. Eden in his big speech of November 1 in the debate on the Address, "that our most intimate relations by far in foreign affairs are with the French Government". He was retorting to the charge that the Government's foreign policy was inspired by class-consciousness, and the moral that he drew could be as well applied to the Left Government of France as to the Right-and-Centre Government of Great Britain. Yet to many publicists in the fascist States the Front Populaire ranks second only to Moscow as the exponent of bolshevism in Europe. Which of these judgments is right, and which of the finger-posts at her cross-roads will France follow—towards liberal republicanism or towards the proletarian dictatorship?

I. The Origins of the Front Populaire

IN spite of the proximity of France to England and the constant coming and going between the two countries, the average Englishman usually regards the internal politics of the Republic as an insoluble riddle. The very wealth of daily detail which the more serious newspapers provide tends to obscure for him the broader lines of political developments. But the real difficulty lies in the fact that the French parliamentary system, being based upon a

multiplicity of groups, functions with a flexibility and a lack of finality that are the antithesis of the clear-cut party system of the House of Commons.

The history of the last eighteen months affords a particularly interesting example of this. In May of last year the Front Populaire was swept into power. Possessing an overwhelming majority in the Chamber, it was able under M. Blum to rush through a programme of social and other legislation of so fundamental a kind as to constitute a revolution in French economic life and seriously to perturb the life of the country generally. To this programme, accepted by the three parties—Radical-Socialists, Socialists and Communists—which are the principal elements in the Front Populaire, M. Blum and his Minister of Finance, M. Auriol, gave a particular flavour by the financial and economic principles on which they founded its execution. They abandoned the orthodox theory of a balanced budget, believing that they could straighten out the country's finances by increasing the purchasing power of the masses. A year passed; and at the end of it M. Blum, with France's finances more entangled than ever, resigned in face of the Senate's hostility. The " Blum experiment ", for the time being at any rate, was over.

The Front Populaire, however, was still intact, and was all-powerful in the Chamber. M. Blum's successor had therefore to be chosen from among its members. With M. Chautemps, a Radical-Socialist and a member of M. Blum's Cabinet, as Premier, France's Government changed from that of the Front Populaire " under Socialist direction " to that of the Front Populaire " under Radical-Socialist direction ". The Government majority remained the same. Most of the Ministers in M. Blum's Cabinet, including M. Blum and M. Auriol, continued to serve under M. Chautemps. But there was at least one important change. To the Ministry of Finance M. Chautemps appointed M. Bonnet, a brother Radical-Socialist who had the reputation of being a champion of " sound finance ". He set about

balancing the budget and, throwing overboard M. Blum's discredited panacea of increased purchasing power, simply cut public expenditure and imposed additional taxation. Yet the same majority as had supported M. Blum accepted a condemnation of his financial methods and gave to M. Chautemps and M. Bonnet the full powers the latter needed to put his orthodox plans into practice.

All this sounds very paradoxical. But there is much in French political life to-day that is paradoxical. The Cabinet itself is a combination of socialists and traditional republicans. Radical-Socialists and Socialists sit side by side in it, though the latter have made it a plank in their platform to abolish the Senate, which is a Radical-Socialist stronghold, or at any rate drastically to curtail its powers. There is the disturbing factor of the strong extra-parliamentary influence exercised by the General Confederation of Labour (C.G.T.), whose leaders refuse to accept responsibility by sitting in the Chamber or joining the Cabinet. There is the surprising behaviour of the Communists, who combine the Tricolour with the Red Flag and the Marseillaise with the Internationale. There is the unusual circumstance that the Popular Front is a political conception strongly approved by Moscow.

It is such things as these that have made it so difficult during the last eighteen months to discern whither France was going. Was the Blum experiment merely a temporary exaggeration of the gradual and to some extent superficial move to the Left which has been a characteristic of French politics during the Third Republic? Or was it a first tentative overstepping of the limits of republican democracy, and perhaps the first stage on the road to a future socialist state? Present symptoms seem to point to evolution on orthodox lines; yet it is well to remember that the *mot* of the Restoration politician, that in France "*il faut toujours s'attendre à l'inattendu*", has lost nothing of its truth in the last hundred years.

The Front Populaire is not a political entity, but simply

the outcome of an understanding to pool votes entered into by the Radical-Socialists, Socialists and Communists for their mutual benefit at the 1936 elections. The Governments it has supported have exercised their power along different lines according as the Radical-Socialists or the Socialists, its two chief elements, have been in the ascendant. An arrangement that can bring under one roof the Radical-Socialists, who are a "national" party upholding private enterprise and ownership of property, and the apostles of state control and internationalism, is characteristic of the elasticity of the French parliamentary system. It is true that a common programme was agreed and that the Communists tactfully assumed the guise of a "national" party that aimed at nothing but a France "happy, free and prosperous". But the real reason why there is in France to-day a Front Populaire Government is to be found in the conditions of strain in which the nation had lived between "*le 6 février*" and the 1936 elections.

On February 6, 1934, the revolutionary tradition of Paris, so long dormant as to pass for dead, revived in an outburst of extraordinary violence. In the Place de la Concorde a score of people were killed and about 150 injured. The purpose of the various demonstrations that had been the origin of the rioting had been in a sense anti-parliamentary, since they were intended to prove to the Government and the Chamber the disgust of the public with the way in which the parliamentary system was working. But notwithstanding the attempts of the mob to reach the Chamber, there is no proof that there had been any plan to seize power or change the régime. On the contrary, apart from the followers of the royalist *Action Française* and the Communists, who as the evening wore on increased the disorder, the crowd that filled the Place de la Concorde was in fact composed of good bourgeois, stout supporters of the Republic, who in their economic difficulties had come to make their "personal protest" against the Stavisky scandal and the weakness of the Chamber.

The Socialists, who rather strangely were constituting themselves defenders of republican liberties, were quick, however, to turn this revolt of the middle class into a "fascist conspiracy". "To combat reaction" had for long been a stock phrase which simply meant to oppose anybody who sat in the Chamber to the Right of the Radicals. Now "reaction" was to be superseded in the political vocabulary of the Left by "fascism"—whether fascism in its true sense existed or not. The French bourgeoisie, with its intensely individualistic outlook, is probably as strongly opposed to a highly disciplined fascist system as any people could be. But the "anti-fascist" cry, which took the place of the obsolete "*à bas les prêtres*", was to prove an effective one. In less than a week after February 6 it had rallied in an enormous demonstration tens of thousands of the working men of Paris, and—of more permanent importance—it brought together in this demonstration Socialists and Communists who had both hitherto refused common action. Thus February 6 sowed the seed that was to develop into the Socialist-Communist Front Commun and subsequently into the Front Populaire of the 1936 elections.

The "Patriotic" Leagues—principal among them Colonel de la Rocque's *Croix de Feu*—furnished the Left with the daily food for the "anti-fascist" campaign. Once the Front Commun between Socialist and Communists had been constituted, the next important step for the organisers of the Front Populaire was to bring in the other great party of the Left, the Radical-Socialists, notwithstanding their firm opposition to socialist principles. It was not an easy task. While M. Daladier and the extreme section of the party strongly championed common action, the moderates, especially M. Herriot, were suspicious of the movement, in which the C.G.T. was taking a very active hand. As May 1936 approached, however, electoral necessities grew more urgent. Finally, in the optimistic but, as events proved, wholly unsound belief that co-operation with

Socialists and Communists would greatly benefit them at the polls, the Radical-Socialists joined the combination and the Front Populaire was completed. The French Communist party was congratulated by the executive committee of the Moscow Comintern on the skilful use it had made of the United Front policy in trebling its membership and obtaining a large measure of control of the French trade unions.

II. The Blum Experiment

THE triumph of the Front Populaire at the elections gave the combination a majority of over 150 in the Chamber and seemed (though falsely) to make it complete master of the parliamentary situation. But if economic difficulties and genuine fear of fascism among the masses had given to the Front Populaire as a whole a success whose scale was unexpected, equally unexpected were the results for the individual parties. The Communists (together with dissident Communists), thanks to their skilful adoption of a "national" guise and still more to economic distress, increased the number of their seats from a mere 20 to 82. The Socialists, making big gains, found themselves the strongest party in the Chamber, while the Radical-Socialists, who had thought to profit by the electoral combination, lost many seats and had ruefully to take second place. As leader of the most important party, the premiership fell naturally to M. Blum, and in a Cabinet composed of Socialists and Radical-Socialists the former preponderated.

M. Blum's term of office was to prove the most "revolutionary" period that France had seen for many a year—though not in foreign policy, which M. Blum based on the closest and most loyal co-operation with Great Britain. To meet internal needs the Front Populaire had drawn up before the elections a programme common to all three parties but inspired in its principal features by a plan elaborated by the C.G.T. It is arguable that M. Blum, in

pushing through Parliament legislation to fulfil the Front Populaire demands, averted a revolution. Although the great wave of stay-in strikes that began before M. Blum's Cabinet had been formed had various causes, there is no doubt that among them was the determination to prove that the workers would permit no delay in the execution of the Front Populaire programme.

The result was a flood of Bills which the size of the Government's majority allowed to be rushed through the Chamber. The *Croix de Feu* and other leagues of the Right were dissolved. War industries were nationalised. The Bank of France was made more democratic in its internal structure and at the same time placed more closely under government control. A wheat board, representative of producers, consumers, millers and the State, was established in order to substitute for the freedom of the wheat market a fixed price for wheat to be settled by the board every year. Legislation was passed to institute collective labour contracts in industry, and to uphold the unassailable right of the workers to join trade unions and to be represented in factories by workmen's delegates. Paid holidays of a fortnight every year were assured to everybody, and the working week was reduced to forty hours without any diminution of wages.

To some outsiders it seemed strange that this social legislation should have caused the commotion that it did, more especially as in many respects it was admitted by employers to be justified. These reforms, however, which in other countries had developed gradually over a series of years, were now being sprung upon France without preparation and in one block. Moreover, the strikes that had preceded them had strained to the utmost the relations between men and masters. Finally, the introduction of obligatory holidays with pay and the forty-hour week went far beyond general practice outside France; added to the enforced increase of wages by an average of 12 per cent., they threatened to raise costs of production intolerably.

M. Blum, what is more, lost no time in making it clear that although the Front Populaire would not follow a socialist policy his aim was the establishment of a socialist State, and that he hoped to utilise the Front Populaire régime as a transitional stage towards it. Although he declared that the mission of the Front Populaire was not to change the basis of society but merely to carry out a limited programme, the realisation that France had taken a step that in the eyes of her Prime Minister was intended to lead to socialism aroused the greatest disquiet. Add to this that the programme was largely of trade union inspiration; that the campaign against the "two hundred families" (supposed to represent a financial oligarchy in the country) and the Bank of France exacerbated the class suspicion that had grown up since 1934; and that the stay-in strikes seemed—for all their pacific character—to bring the possibility of real revolution within measurable distance; and it is easy to understand the atmosphere of high tension, the bitter feeling between Right and Left, the anxiety about the future, and the constant fear of forcible action from one side or the other, that characterised the year of the Blum experiment. To the masses it seemed at first as though almost everything had come within their reach and that they only had to press vigorously in order to grasp it. The "possessing" classes, and with them many of the small bourgeoisie, felt that their interests were in acute danger and that ruin was awaiting them and the country round the next corner.

III. The C.G.T. and the Communists

THE fact that the Government was flanked by two more or less "free-lance" but very important forces—the C.G.T. and the Communists—accentuated the uncertainty. The former, with nearly five million adherents, has come to be regarded almost as a State within the State. The latter are an integral part of the Government majority.

Yet neither has been represented in the Cabinet, and leaders of the C.G.T. are not even in Parliament. Still, as M. Jouhaux, the secretary general of the C.G.T., once said, the Front Populaire could no more separate itself from the Confédération than the latter could afford to split with the Government. Before the war, the C.G.T., with its ultimate threat of a general strike to enforce acceptance of labour demands, had always been regarded as a revolutionary body. In 1922 the Communists broke away and formed a confederation of their own, but they fused again in 1936. As a result of the stay-in strikes that followed the Front Populaire triumph, the leaders found themselves faced with a membership nearly quintupled. Apart from this phenomenal accretion of numerical strength the organisation has acquired an extremely important place in the Front Populaire system through the facts that its own plan had supplied the greater part of the legislative programme, and that its representatives had been responsible for the settlement with the employers that ended the stay-in strikes with such great advantages to the workers.

Offered a seat in the Cabinet, M. Jouhaux refused it, thereby maintaining the tradition of keeping aloof from Parliament, and of holding direct action in reserve as an ultimate means of pressure in defence of labour's claims. M. Jouhaux cast himself for the combined rôle of a counsellor without ministerial responsibility and of a dictator with five million men to back up his threats. Of these he has not been sparing whenever he thought that the Government's acts were falling behind their promises. If a strike is not settled the menace of bringing one hundred thousand men "into the street" is uttered. When M. Blum was "going slow", confidence would be shaken by the announcement that the time had come "to snatch the controls" from labour's adversaries by the nationalisation of banks and big industry. Swayed above all by class motives, the C.G.T., with its demands for vast expenditure on public works, has seemed to leave out of account the

general interest of the country. At times the extremists in its ranks have doubtless threatened to get out of hand, and in order to pacify them words more violent than the leaders themselves would have preferred have had to be spoken.

Particularly disturbing to the heads of the C.G.T. is its successful invasion by the Communists. And in the word " Communists " lies one of the principal riddles of present-day France. Is the " national " garb that they have adopted genuine or is it simply sheep's clothing intended to blind the anti-marxists to the revolutionary hide beneath? When the Communists surcharge the Red Flag with the Tricolour, sing the Marseillaise as well as the Internationale, and call for a France that is " free, strong and happy ", are these honest gestures or are they merely clever tactics? Some Frenchmen are prepared to take the Communists at their face value. Others argue that, realising that France is not ready for a communist régime, they are concerned to do nothing that would arouse immediate and violent reaction; but while seeking to inspire confidence, are nevertheless working steadily towards their goal of a communist system modified to suit French characteristics.

Although forced from time to time to make violent speeches in order to maintain their position with the masses and to keep alive a constant agitation—they are generally held responsible for the persistent strikes that disturbed French life all through the summer—the Communists have been a good deal more moderate in their avowed demands than the Left-wing Socialists, who to-day consequently appear to be the real extremists. It is the Socialist position that the Communists are trying to undermine. With the Radical-Socialists they are more ready to co-operate, if only because the latter, being a " patriotic " party, will, they know, maintain a strong French army that one day might be useful to Russia. When offered seats in the Cabinet by M. Blum, the Communists refused; but, as their subsequent proposal to sit in the Chautemps Cabinet showed, this refusal was probably based less on grounds of

principle than on those of tactics. As an electoral device the Front Populaire has served them well, and in helping to constitute it they were working for their own ends as much as were the Socialists and the Radical-Socialists. On previous occasions Socialists had refused to accept Radical-Socialist offers of office when together they formed the majority in the Chamber. They had thus been able to call the tune without being responsible for failure. The 1936 elections had shown how these tactics had profited the Socialists at the expense of the Radical-Socialists, and doubtless the Communists thought that they might at some future date similarly benefit at the Socialists' expense.

In the meantime they have played a leading part in the formation of the Front Populaire, and have achieved, much to their advantage, the fusion of the labour confederations. They are now pursuing these tactics further by trying to persuade the Socialist party to merge with them. But the Socialists have no wish to play the fly to their spider and are moving very cautiously. M. Blum had the Communist party well in hand as part of the Government majority, though once they threatened to split the Front Populaire over the policy of non-intervention in Spain and again when M. Blum asked for his full powers in June. But in neither case did the menace materialise. As to their position in the country, the recent cantonal elections seem to indicate that many petty bourgeois who in 1936 made an excursion into Communism have now returned to the Radical-Socialist fold. It must be remembered, however, that these elections did not include Paris, which is a Communist stronghold. In any case, whether or not the Communists are actually declining in numbers and influence, as they appear to be, the party, unlike its colleagues in the Front Populaire, derives strength from being firmly united within itself.

IV. A New Helmsman

IN driving his very mixed team, M. Blum showed himself an adept. When at the end of a year the failure of his experiment became patent, it was not because his troops refused to follow him but because the financial premises on which the experiment was based had proved false. Experience showed that increased purchasing power of the masses—at any rate when accompanied by social legislation that raised prices and checked production—was not the sovereign remedy for France's financial difficulties that Socialists had believed it to be; and that continual borrowing and the abandonment of orthodox budgetary principles were bringing the country into highly perilous waters. In the spring of this year the Government, conscious of the dangers ahead, had asked for a pause in the execution of the Front Populaire programme. By mid-summer confidence in the franc had disappeared, and in order to restore it M. Blum, the Socialist, found himself obliged to imitate the example of preceding bourgeois Prime Ministers and ask of Parliament those full powers to legislate by decree which he had hitherto always opposed. Granted by the Chamber, they were refused by the Senate. For the Upper Chamber, although predominantly of the Left, had all along followed M. Blum with some reluctance, and had no faith in the unspecified financial measures that he might have seen fit to impose on the country, under the pressure by the more extreme elements of his majority and also of the extra-parliamentary power of the C.G.T. Rather than bring about a dangerous and nationally enfeebling conflict between Senate and Chamber, in which civil strife might well have played a part, M. Blum, putting the interests of France before those of party, resigned. The international situation, he felt, was too threatening for France's position in Europe to be weakened by internal dissension.

This was at the end of June. Since then the principal event has been the substitution for a Government "under

Socialist direction" of one "under Radical-Socialist direction", which has led to a *reversal of the former's* financial methods and a general change of outlook. The Government majority, however, remains unchanged, and M. Chautemps has been as eloquent in his devotion to the Front Populaire as M. Blum ever was. It is true that Left-wing Socialists at first kicked against participation in the new Chautemps Government, asserting that rather than join in it Socialists should rely on the support of the "masses" and the C.G.T., and fulminating against the Senate as an obstacle to the fulfilment of the people's will. But the advantages to them of keeping the Front Populaire alive were evident, and M. Blum—who, in his determination to avoid the dangerous dissensions that a split might occasion, was the principal advocate of co-operation—won the day. The Communists went so far as to say that they would accept seats in the new Government. But M. Chautemps, not wanting to hang round his neck a millstone that might sink him in the opinion of the country and particularly of the Senate, prudently refused the offer.

The country was not long left in ignorance of the straits to which the Blum experiment had brought it. M. Bonnet, the new Minister of Finance, announced that when the Government took office he had found the Treasury so empty that he had had to borrow £3,640,000 to meet every-day expenses, and that there was no gold left in the exchange equalisation fund. He expected the deficit on the current year's budget to be £63,700,000, and that up to the end of the year he would have to borrow £154,700,000. In order to remedy this situation full powers were demanded by M. Chautemps as they had been by M. Blum. But now the circumstances were different and the powers were granted at once. M. Chautemps and his orthodox Finance Minister, being Radical-Socialists, belonged to the party that pre-dominated in the Senate. Further, not only did they specifically eliminate from possible measures of recon-struction exchange control, which the Radical-Socialists

regard as the first step towards an authoritarian régime; their political principles gave assurance that they would not indulge in any of the adventures of that kind for which the extreme Left were pressing. Although M. Blum was given a place of honour in the Cabinet as Vice-President of the Council, and although eleven of the Ministers are Socialists, it remains the fact that the Chautemps Government, though still Front Populaire, was and is "under Radical-Socialist direction". The orthodoxy of the measures introduced by decree for dealing with the financial situation was immediate proof of this. Public expenditure was drastically cut and heavy additional taxation was imposed, so that for next year a budget surplus of about £11,000,000 was forecast.

The country is still strongly "Front Populaire" in sentiment, but seems to be swinging back slowly towards its moderate wing. In spite, however, of all the money brought into Paris by the Exhibition, a certain *malaise* has persisted through the autumn. It has a double cause. There are the material consequences of the Blum legislation, including soaring prices, diminished purchasing power, hugely increased costs and reduced production, which are leading to an agitation for higher wages and threatening France's economic situation. Side by side with these are the avowed aims of the extreme Left which, if put into practice, would jeopardise the Government's measures for remedying the material evils. Fears of a return to socialisation are mixed with anxiety about possible future labour conflicts and the Government's firmness in dealing with them. In order to calm these apprehensions, which brought grave risk to the franc, the Government have categorically reaffirmed their opposition to exchange control, and have announced their determination to permit neither violation of collective contracts by men or masters nor anything in the nature of stay-in strikes. Everything is to be done to accelerate production, which is regarded as the crux of the economic problem. The Government are prepared to

modify even the forty-hour week, which is regarded by the working classes as of great importance—even though its value may be to some extent symbolic rather than material.

V. The Fatal Forty-Hour Week

THE legacy of the Blum experiment is a heavy one. Higher wages and shorter hours of work formed a contradiction which defeated the original purpose. On paper, it is true, the French working man is about 30 per cent. better off than he was when the Front Populaire came into power. But this rise in wages, combined with the forty-hour week and paid holidays, has so greatly augmented costs that the cost of living has gone up by at least as much. For the black-coated salary-earner it has well outstripped any rise in pay he may have had. So the joy over the labour victory of 1936 has, in the words of an official of one of the big unions, been turned into disquiet and discontent. Agitation for a still further increase in pay has been the inevitable consequence. Heavy industry's "no" to this demand was based on the fact that the extra charges imposed by the forty-hour week and paid holidays on the top of higher wages had already increased the hourly wage for them by 75 per cent. To the state officials' justifiable demand for better pay the Government have acceded, and the existence of even an estimated budget surplus for next year thereby becomes problematical.

The anomaly is that, while the industrial worker has had his pay increased by nearly one-third, the output of industry has decreased by 10 per cent. since last year. The principal cause is the forty-hour week, which since its introduction a year ago has been a source of constant disturbance and confusion in the economic life of France and of the individual Frenchman. Reduction of working hours was a general aspiration of the Front Populaire. The purpose was at once to absorb unemployment (the gravity of which

seems to have been much exaggerated) and to provide the worker with more leisure. Incidentally it was thought that additional relaxation would be a spur to extra energy during working hours. But results have proved this to have been too optimistic a view of human nature. Transformed under trade union pressure—contrary to the Government's intentions—into a five-day week of eight hours a day, the forty-hour week reduced the number of days on which a Frenchman works by 62 in the year (including the paid holidays). The harm to the economic life of the country is obvious. The favoured lot of the town and industrial worker is stimulating the flight of the peasants from the hard life of the farm, to the detriment of French agriculture. Thus, of the 70,000 extra hands required by the railways to equalise the shorter hours worked, the majority came, not from among the unemployed, but from the vigorous youth of the countryside. Happily, however, the Frenchman is nothing if not industrious, and the possibility of an extra day's holiday weekly, on which he is merely tempted to spend money, exerts by no means an universal attraction. So, in the smaller concerns, which represent about half of France's industrial and commercial activity, a good deal of more or less clandestine work is still done on the sixth day. But of rescinding the forty-hour week law there is no question. Like the rest of the social legislation of the Blum experiment it is on the statute book and must stand. The task before the Government, unions and employers is to find the means of making it more flexible in order to modify its harmful effects while retaining its principle.

The direction of affairs being now in Radical-Socialist hands, the evolution of the situation, political as well as economic, depends upon how far M. Blum and his followers are prepared to fall in with the conceptions of M. Chautemps. For from the Right the latter has little to fear. Although the Right wing of the Radical-Socialists recently repeated the attack they had launched last autumn against

the maintenance of the Front Populaire, the party as a whole does not wish for a split. Hence, provided the Socialists keep in the background their projects for exchange control —which the Radical-Socialist congress stigmatised as "fraught with risks at home and abroad"—forget their demands for the abolition of the Senate, control of banks and the nationalisation of key industries, and accept the economic and financial policy of "prudence and wisdom" which the Radical-Socialists consider can alone preserve France from dangerous risks, there seems no reason why the Front Populaire should not persist.

At first sight it seems a big "if". For M. Blum's resignation in June was followed by a vociferous Socialist congress whose extremist attitude might be taken to indicate that in spite of the country's financial difficulties the party was in no way prepared to renounce its "experiments". Only a few weeks ago, demands such as those already indicated were repeated. But, chafe as Socialists may under Radical-Socialist tutelage, they are not blind to the risks implied in a rupture of the Front Populaire brought about by their own action. For with the Chamber composed as it is, the break-up of the existing majority would confront the President of the Republic with—to say the least of it—an extremely difficult task in the finding of a new Prime Minister. Efforts would probably be made to bring about some kind of "national" Government, to include the Radical-Socialists and the Centre. Granted that such a combination were feasible, however, even Right-wing Radical-Socialists are averse to it for fear of its possible effects on the "masses" and the cries of "fascism" it would raise. From the Socialists' point of view, it is difficult to see how they could benefit by going out into the wilderness again of their own volition. The confusion in the country would be great and perhaps tempting to mischief-makers. Of this the Socialist leaders are well aware. French Socialists, as 1914 proved, are Frenchmen before they are Socialists, and in the last analysis put the

country's interests before party aims. International developments have in the past influenced internal events in France, and a powerful factor in favour of the maintenance of the Front Populaire may well be found in the complicated and uncertain situation in present-day Europe.

EXIT THE IRISH FREE STATE

I. Mr. de Valera at Geneva

FOR two months we have enjoyed almost complete political peace while our politicians recuperated after their labours at the general election. Mr. de Valera, however, with characteristic industry, only left his office in Dublin for Geneva, where he enjoyed a busman's holiday at the Assembly of the body which *Dublin Opinion* has rather cruelly christened the League of Procrastinations. His contributions to its debates were, on the whole, both clear and pertinent, and reveal his attitude towards foreign affairs. His first intervention was in the debate on the Palestine problem, in which he was the only speaker to oppose the principle of partition in any form, quite obviously having Irish experience in mind. Although he favoured the attempt to find a new solution, he objected to agreement in advance that it was to be found along the lines of partition. The parties affected, he said, as far as they had expressed themselves, were opposed to partition, which was the cruellest wrong that could be done to any people. It was not going to mean appeasement; it was going to give rise in the future to a position that would raise problems more difficult than those being dealt with at the moment. He did not believe that there could be any satisfactory solution, because irreconcilables could not be reconciled. To all of which an outside critic might perhaps reply that what is being sought in Palestine is rather a *modus vivendi* than a permanent solution, and that Mr. de Valera, in his anxiety to ventilate an Irish grievance, apparently overlooked the fact that his own conclusion, that irreconcilables could not be reconciled, justified, at

least temporarily, the policy of partition both in Palestine and in Ireland.

His contribution to the debate on the Spanish situation was more valuable. In the long discussion in the Political Committee on September 30, he led the opposition to the paragraph of the draft resolution on Spain which stated that if the immediate withdrawal of non-Spanish combatants could not be obtained, members of the League who were parties to the non-intervention agreement would consider ending the policy of non-intervention. This, he said, would appear to the man in the street as a threat; in his opinion, it would compromise the success of the negotiations that were envisaged. The policy of his Government, he added, had been consistently one of non-intervention, and would so remain. They therefore would be no party to any threat that if foreign troops were not withdrawn from Spain their attitude towards non-intervention would be changed. They believed it was the best policy from the point of view of the Spanish nation and from the point of view of general European peace.

Later in the debate, when M. Delbos suggested that Mr. de Valera had misinterpreted the draft resolution, the latter created some amusement by stating that, whilst he was not sufficiently acquainted with the French language to know the exact *nuance* there might be in certain phrases, he was relying upon the English text, which he could interpret reasonably well. He finally proposed that the paragraph in question be amended to state that if non-Spanish combatants in Spain were not withdrawn the non-intervention agreement should be revised. As, however, M. Litvinoff would not agree to this proposal, Mr. de Valera, with the Hungarian, Austrian, Bulgarian, and Portuguese delegations, abstained from voting.

When the draft resolution came before the Assembly, on October 3, he renewed his objection. He said that when, some twelve months ago, the non-intervention policy was agreed on, and the London committee set up, his

Government rejoiced. They believed in the policy of non-intervention because it respected the right of the Spanish people to decide for themselves how they should be governed and who should be their rulers—a right held particularly precious by his people because of their long struggle to have it acknowledged in their own regard. They believed in the policy of non-intervention also because they were satisfied that if left to themselves the Spanish people would quickly secure a decision on the matters in dispute, and such conflict as there might be would be freed at least from the exasperation and bitterness, the callousness and cruelty, which outside interference brought. Moreover, they were convinced that foreign Powers were unlikely to participate in the conflict through any love of the Spanish people, desire for their improvement, or regard for their traditions. Their participation was much more likely to be prompted by selfish motives, which might ultimately lead to the destruction of the great Spanish nation, or at least the loss of valuable portions of its territory. Finally, they knew that intervention on one side of the dispute would inevitably provoke counter-intervention on the other, leading to a fatal competition which could only end in a general European disaster. He wanted to make it clear, therefore, beyond any possibility of misunderstanding, that his Government were not being committed to any policy of action that might result in the termination of the non-intervention agreement. There was a danger, he said, that in the present condition of Europe the League of Nations, as it now was, might degenerate into a mere alliance of one group of States against another group. That would be the end of hopes for a real League. He considered that the smaller States of the League, in particular, should resist from the beginning any tendency in that direction.

In the result, fourteen other member States followed Mr. de Valera's lead and abstained from voting, but as Portugal and Albania voted against it the resolution was

defeated. Mr. de Valera certainly gave a decisive lead to the smaller States, which, on such occasions in the past, have often been satisfied to play the part of mere satellites. He also correctly interpreted Irish opinion, which is definitely suspicious of any policy favoured by Russia. At the same time he avoided a pro-Franco policy which might have upset his Labour allies.

Irish apathy about international affairs is nevertheless well illustrated by the fact that none of the leading Irish newspapers had any comment to make on his action. The *Wolfe Tone Weekly*, which is the latest mushroom growth of extreme republican journalism, described Mr. de Valera as " playing second fiddle at Geneva to the Aga Khan, the Anglicised Indian who is known solely because of his enormous wealth and his activities on the turf ". It also reminded him rather unkindly that fifteen years ago, as President of the Irish Republic, he had lodged a protest with the same League of Nations against the admission of the Irish Free State to its membership, on the grounds that Ireland was partitioned against her will and had not freely accepted the Anglo-Irish Treaty, adding that these disabilities still remain. Such are the malicious criticisms that must be endured by a poacher who has turned gamekeeper.

II. The New Constitution

THE Dail re-assembled on October 6 after a holiday of nine weeks, its opening day being enlivened by a demonstration of the unemployed. It proceeded at once to discuss the five Bills that are necessary to implement the new constitution. These comprise an Interpretation Bill to govern the form, operation, and interpretation of Acts of Parliament, a Bill to regulate elections to the new office of President of Ireland, two Bills regulating procedure for the election of the new Senate, and a Bill to provide for the return of a retiring Chairman of the Dail without actual election. The new President, as provided by the

constitution, will be elected by the parliamentary electors of the country voting as at a parliamentary election under a system of proportional representation. The President must take office within six months from December 29, 1937, the date on which the constitution comes into operation. The Bill provides that candidates for the office may be nominated by twenty members of the Oireachtas or Parliament (namely, the Dail and Senate) or by four county councils. No member of Parliament or county council may nominate more than one candidate. A former or retiring President may also nominate himself. The Bill contains no provision for challenging or trying the validity of a presidential election on account of alleged corrupt practices, but incorporates the usual provisions for the prevention of electoral abuses by individuals other than a candidate or his agents. It is apparently assumed that candidates for the position will be above trying to secure election by dishonest means.

Speculation is naturally rife as to the possible candidates, but so far no hat is definitely in the ring. Mr. de Valera is apparently not anxious to leave the position of power he now enjoys, and it is clear that his party would not long survive his promotion to the presidency. It was at first strongly rumoured that Mr. Sean T. O'Kelly, Vice-President of the Executive Council and Minister for Local Government, would be the Government candidate, but he has recently stated, in a public speech, that he hopes to remain in his present office for a long time to come. The only other candidate who has been definitely mentioned is Alderman Alfred Byrne, the redoubtable Lord Mayor of Dublin, who would certainly not be acceptable to the Government. A Labour party candidate is also probable in the event of a party fight for the position, but so far no name has been mentioned. It was freely stated that private negotiations were taking place between Mr. de Valera and Mr. Cosgrave with a view to agreement on a non-party candidate, but this Mr. Cosgrave has denied. It is,

however, tolerably certain that Mr. de Valera is very anxious to secure as his nominee for the presidency someone of eminence, culture and nationalist traditions, who would not only confer prestige on the office but also act as a healer of our bitter domestic discords, which are a heritage from the civil war. Such a person might further be able to establish friendly contacts with Great Britain and with Northern Ireland. This would indeed be an ideal solution, if such a candidate can be found, but unfortunately the number of citizens fulfilling the requirements is severely limited, and in a small country like Ireland substantial unanimity is difficult, if not impossible, to attain. The question at the moment is whether Mr. de Valera is strong enough to compel his party to accept his own patriotic attitude towards the problem.

The suggested provisions for the election of the new Senate are both unique and ingenious. It is provided by the constitution that this body shall consist of sixty members, of whom eleven shall be nominated by the Taoiseach (literally Leader or *Fuehrer*) or Prime Minister, six elected by the graduates of the two universities, and the remaining forty-three elected from panels formed on a functional or vocational basis. From these panels eleven members are to be chosen to represent agriculture, eleven to represent labour, nine to represent industry and commerce, seven to represent administration (which includes voluntary social service) and five to represent culture and education, which, of course, will also be represented by the six university members. It is proposed that the Government shall prescribe by order the vocational bodies entitled to nominate candidates for each panel, but any twenty-five members of the Dail may also nominate. Each deputy is limited to the nomination of one candidate; in effect, therefore, the Dail would only be able to nominate five candidates. It is also proposed that the election from the panels shall be made by an electorate consisting of all candidates who at the last general election for the Dail secured more than five hundred

first-preference votes or were returned unopposed, each elector to have one vote for every thousand votes he received at the general election. A candidate who was returned unopposed is to be deemed to have received seven thousand votes, and a candidate who received less than a thousand and more than five hundred votes is to be deemed to have received one thousand. The Senate under the constitution must be re-elected after each general election.

The obvious defect in this system of election is that the Senate would probably tend to be a mere reflection of the Dail. On the other hand, if the nominating bodies exercised their powers wisely, a critical and independent body, representative of the country's vocational life, might possibly be secured, however the politicians voted. It may be also hoped and expected that Mr. de Valera, as Prime Minister, will take a wide and liberal view of his powers of nomination and select persons of integrity, independence and intelligence rather than party hacks. Casual vacancies must under the constitution also be filled on his nomination.

When moving the second reading of the Bill in the Dail on October 7 Mr. de Valera said that whilst it would be impossible to get an ideal Senate, the Government believed that there would be little use in having a second chamber with the same political controversies and manœuvring as the Dail. He asked for the assistance of all parties in setting up the best possible type of chamber. As a result of this appeal the Bill, after it had received a second reading, was referred to a special committee of fifteen deputies, representing all parties in the House, which is to report back to the Dail on November 10. It is obvious that in his present precarious position Mr. de Valera recognises that he can no longer drive a Bill of this kind through the Dail at the point of the party bayonet. But he is still as far as ever from satisfying the extreme republicans and their militant wing, the I.R.A.

The latter organisation was, presumably, responsible for

the destruction of thirty customs stations on July 28 along the border of Northern Ireland and the Free State, an event which for obvious reasons coincided with the visit of Their Majesties to Belfast. This performance was clearly intended as a spectacular protest against partition, but its only possible effect is to perpetuate and increase the existing barriers to good will and understanding between the two parts of Ireland. Some such outrage was so clearly to be expected that it is difficult to understand why it was not guarded against. Questioned at the opening of the Dail concerning the possibility of extending an amnesty to political prisoners, Mr. de Valera replied that at present there were nineteen such persons in custody, including one convicted of murder whose sentence was commuted to penal servitude for life, twelve convicted of crimes of violence, four of the unlawful possession of firearms, and two of membership of unlawful associations. It was the duty of the Government, he continued, to preserve the peace and protect the lives and property of the citizens, but where they were satisfied that the release of the prisoners referred to was consistent with that duty they were willing to give the case consideration.

The attitude of the irreconcilable element was well put by the invincible and incorrigible Miss Mary MacSwiney when speaking at Fermoy in September. After referring to the treason of Mr. de Valera and his party in taking the oath and entering the Dail in 1927, she said that as a Government they were obliged to agree to the abdication of one English King and the accession of another. The English King was also in the new constitution, camouflaged as an organ, an instrument, or a method of procedure. Mr. de Valera, she said, had gone to Geneva, not as a leader of the Republic, but as a Minister of the Dominions of the King of England. If that was good enough for the Government it was not good enough for republicans, and they would not rest day or night until they had altered it.

Another point of view is represented in two remarkable

articles recently published by Professor James Hogan, Professor of History at University College, Cork, in which he discusses the anomalous situation arising from the Anglo-Irish Treaty of 1921.* Professor Hogan is an independent political thinker with an able and logical mind. He points out that, whatever were the practical advantages of the Treaty settlement, it failed to settle the question of principle which was at the root of the struggle, namely, whether political authority in Ireland was of Irish or British origin. He traces the clash between the British and Irish interpretations of the Treaty, and points out that the original constitution, which we were told was imposed on us by the legislative supremacy of the British Parliament, declared the people of Ireland to be the original source of political authority, and invested the Irish Parliament with the sole and exclusive power of making laws for the Free State. He proves also that the purely legal British interpretation recoiled on its authors like a boomerang, in the shape of the Statute of Westminster, which established the legislative independence of the Dominions beyond question and enabled a hostile Irish Government to cut the ground from under the Treaty settlement. In Professor Hogan's view the real issue in the constitutional controversy between the Irish and British Governments since 1932 is inseparable from the wider issue, whether the principles of autonomy and equality formulated with an almost mystical fervour at successive Imperial Conferences are a reality, or only a camouflage for the old compulsory imperialism.

He maintains, with unanswerable logic, that in consequence of the first article of the Treaty, which equated "status" with "Dominion status", we have gradually outgrown the Treaty itself, but that on the other hand the harbour and defence provisions of the Treaty are stipulations, unconnected with status, which cannot be outgrown because they form part of an international agreement between the two countries. Claiming that Ireland's present

* *Ireland To-day*, September and October 1937.

position, in the Commonwealth but not of it, is unsatisfactory for a great many reasons, and that it is impossible to conceive of any solution in which the Irish nation would be prepared to take the British monarchy and its symbols to its heart, he suggests that the situation must resolve itself either into a new type of relationship or into secession. In the light of these facts, he declares, the question whether the Commonwealth is wide enough to include an Irish republic assumes immediate and practical significance.

The declaration of an Irish republic, however, apart from its serious economic implications, would have one fatal consequence which Professor Hogan would certainly deplore. On December 29 the Irish Free State will, under the new constitution, assume the name of Ireland—a word that has a far deeper and more potent meaning for any patriotic Irishman than the word "republic". If the twenty-six counties now comprising the Irish Free State declare a republic they will postpone, if not for ever, certainly for many generations, that juridical unity with the North which alone can make the word Ireland a political reality. It would be a heavy price to pay for the attempted conciliation of a virtually irreconcilable minority, and those who paid it would be execrated by posterity.

In any event, does not the new constitution—which the British Government has not challenged—give us all the symbols and institutions of a republic except the title? Mr. de Valera's speech at the Ard Fheis, or annual convention, of the Fianna Fail party, on October 12, proves that he certainly thinks so, and that he does not intend permanently to divide the country for the sake of a word.

This important declaration of policy was made in reply to a speech from a member of the party executive, Mrs. Tom Clarke, the widow of Tom Clarke, who was one of the signatories to the proclamation of the Republic in 1916 and who was executed after the rebellion. This lady, in an outspoken and courageous address, pointed out that the Fianna Fail party had lost 80,000 first-preference votes at

the general election, and suggested that they should probe the cause and try to see where they were going wrong and losing the confidence of the people. Referring to the policy of the Irish republic, she said that if the leaders were slipping it was up to the organisation to prevent them from slipping too far. She criticised Mr. de Valera for not having used his position at Geneva to drive a bargain with Great Britain, and asked why the Dail was called together by telegraph to pass a Bill approving of the abdication of a British King and the accession of his successor, who was given authority to act for us in foreign affairs. The republican attitude towards what happened in England should have been, she said, to ignore the whole thing. It was quite possible, she added, that the Government had changed its mind as to the national objective. It might in its wisdom have come to the conclusion that a republic was not as desirable as it looked to them at one time, that a safer and saner position for Ireland was to be a contented Dominion of England, and they might be perfectly honest in their change of mind, but she demanded a clear statement of their position.

Mr. de Valera, in reply, said that as far as he was concerned, on the basis of the new constitution, the next move forward must be to get within that constitution the whole of the thirty-two counties of Ireland. Unity had to come first. He did not propose to change the name of Ireland into that of the Irish Republic until he could do it for the whole of Ireland. If they declared a republic for the twenty-six counties it would only make the task of securing the unity of Ireland more difficult, and he was not going to do it. With regard to our relations with Great Britain, he said, the Government's desire was that our people and the people in the neighbouring island should live peacefully as neighbours—neither interfering with the rights of the other. They recognised the two countries had certain interests in common, but the Government must be the judges themselves, and could not be told they must do this

or that. They would maintain their stand as regards the land annuities and would seek to have the ports handed over completely to the Irish people. Defending his attitude at Geneva, he said he would not accept the League of Nations as an impartial court to decide on questions between Great Britain and ourselves, and he did not regard the fundamental rights of our people as a subject for bargaining. The Government were not, he added, going to be deflected from their position one iota by the fact that they had not a majority in the Dail. If it was necessary to go to the people and to tell them they would have to put the situation right, the Government were quite prepared to do so. All of which proves conclusively that Mr. de Valera has no intention of allowing either his friends or enemies to push him over the republican precipice, however much he may enjoy sitting on its edge.

III. Economic Problems and Portents

THE problems confronting the new Ireland, however, are by no means solely or mainly constitutional. The ordinary citizen is far more concerned with questions that affect the realities of daily life. The first business of the Dail was a debate on the cost of living, initiated by the Opposition, and the second reading of a Bill dealing with the control of prices. The Opposition complaint is that since 1931 the cost of living in the Free State has increased by thirteen points, while in Great Britain it has increased only by ten. Flour, bacon, tea, potatoes and sugar, the staple items in the people's domestic budget, all cost considerably more than in Great Britain. There is scarcely an article in general use that has not been increased in price by some order, tariff or regulation. The Irish housewife pays one-third more for bread than the British, because baker's flour costs eleven shillings per sack more here than in Great Britain. This difference in price is not due to profiteering by the Irish millers, but principally to the fact

that by law they have to use a large proportion * of Irish wheat bought at a guaranteed price, and consequently must also use a much higher percentage than British millers of the more expensive Manitoba wheat in order to secure a proper mixture. The basic fact is that whilst the Irish farmer in 1936 obtained thirteen shillings for the produce that brought him one pound in 1931, he paid one pound in 1936 for goods that would have cost him sixteen shillings in 1931. This year, however, there has been a slight improvement in agricultural prices, due to world conditions.

In brief, the policy pursued since 1932 by Mr. de Valera's Government has tended to benefit the urban at the expense of the rural population, although even in the cities the increased cost of living has led to labour unrest and demands for increased wages. A strike in the building trade in Dublin and Cork has only just concluded, having lasted for six months to the serious loss of all concerned. The recently published census of industrial production for the years 1932 to 1935 shows that during that period the gross output of the main industrial groups increased by £18,000,000 and the number of persons employed by over 23,000. Wages, however, increased by only £1,600,000. Factories have been opened all over the country, and so far as the towns are concerned there is undoubtedly a superficial appearance of prosperity. From a broader national standpoint this is illusory; for the position of Irish agriculture, our principal industry, is such that immediate relief is necessary.

Mr. Lemass, the Minister for Industry and Commerce, replies that the people are consuming more and saving more. This is certainly borne out by the increase in the consumption of beer, spirits and tobacco, the purchases of private motor cars, the savings-bank deposits, and the number of passengers by road and rail, as well as by the decrease in the number of registered unemployed. Mr. Lemass claims, moreover, that the rise in the cost of living

* In September this was 40 per cent.

here is no greater than in any other country. But the revenue returns for the last financial year show that one-third of the Free State revenue is derived from customs duties on imports; if the Government's industrial policy is a success a time must come when this revenue will practically cease. The deficiency can be supplied only by an increased yield from existing taxation, thanks to growing prosperity, or by increased taxation, which the country cannot bear.

The trade returns for the year ended September 1937 disclose a visible adverse trade balance of £20,690,690, the largest since the Free State was established. This is due in part to the shortage of exportable store cattle in the Free State, which is the result of the slaughter of calves by government order two years ago. The parlous condition of agriculture is revealed by the fact that the minimum wage for agricultural labourers has been fixed by the Agricultural Wages Board, under the new Act, at twenty-four shillings a week. Mr. Luke Duffy, the secretary of the Irish Labour party, pointed out that where the employer provided the *farm worker with three meals a day for six days a week*, as is usually the case, eleven shillings and sixpence would be deducted from the minimum wage of twenty-four shillings, and if the labourer lived in a cottage owned by the farmer a further sum of two shillings would be deducted for rent. The worker would thus receive ten shillings and sixpence with which to purchase food, fuel and clothing for his wife and family and his own food on Sundays. It is little wonder that in the last ten years the Irish countryside has lost four per cent. of its population, and that since 1933, it is estimated, over 71,000 people have sought work in Great Britain.

Straws show how the wind blows: quite recently a solicitor applying for a dance-hall licence at Castletown Berehaven in West Cork asked to have the minimum age of girls who might be admitted reduced to seventeen years, because most of those over that age had emigrated.

Another aspect of the same problem was tragically illustrated by the disastrous fire at Kirkintillock in Scotland in September, in which ten young Irish boys, migratory labourers from Achill, lost their lives. Some two thousand of these young people travel each year from the agricultural slums on our western seaboard to the Scottish potato fields, and nearly as many more scatter over Great Britain for general harvesting operations. The economy of their homes rests on their small holdings and on the wages thus earned abroad, out of which they pay their home shopkeepers for the tea, sugar and flour that augment the produce of their little farms. Public indignation has been roused by this disaster, and the Government has set up an inter-departmental committee of civil servants to investigate the migration problem. But it is difficult to see how anything but a compulsory stoppage of emigration, which is of course impossible politically, can intercept the natural economic forces that are responsible.

The League for Social Justice, which is a new social action organisation, claims in a public statement that these migratory labourers are but a symptom of the perennial poverty which afflicts a large part of rural Ireland, and which the Government attempts to mitigate by a system of subsidies and doles. The true remedy, it affirms, is a bold national scheme of reconstruction, which would widen the basis of primary production and employ idle labour on unused land to produce new national wealth. It points out that west of a line drawn from Cork to Derry are some two million acres of land which now produce nothing, but which a scheme of re-afforestation would put to productive use, and that whilst thirty per cent. of the land area of the rest of Europe is under timber, less than one-and-a-half per cent. of the Free State bears neglected and decaying woodlands. In order to tackle this and similar problems, it proposes the establishment of an Economic Development Commission, to be financed by credits from the Currency Commission; the latter should be relieved of its obligation

to maintain an artificial parity with sterling. While much might be said for the League's re-afforestation scheme, it is to be feared that its financial cure might prove worse than the disease. The remedy for unemployment is, as the League insists, the obvious one of giving employment so long as there is work of real economic value to the nation to be done, always provided that such employment can be paid for without upsetting the entire economic system of the country.

The Irish Free State,
November 1937.

AMERICA, THE WORLD AND THE RECESSION

I. Isolation and Internationalism

THERE are two matters of paramount importance in the United States as this golden autumn fades toward winter: the halt in the upswing of the business cycle, and the troubled evolution of an American foreign policy.

A good many subordinate questions, of course, confront the nation: the meeting of Congress in special session on November 15, called to pass laws calculated in large measure to stimulate the depleted purchasing power of the low-income groups; the efforts of the two warring wings of organized labor to make peace and thus restore their standing with government and with public opinion; attempts to revive or re-make the Republican party into an effective opposition group; President Roosevelt's further relations with the judiciary and with the inconsistent elements that now make up the Democratic party; the whole broad question of the "Roosevelt revolution"—shall it press ahead, or shall it retreat in the face of economic storm-clouds? These questions all have their vital place in a history of the United States at the end of this crucial year.

But first something about the people. This correspondent has just had the advantage of crossing the continent twice, exploring the political and economic lie-of-the-land. It can be written confidently that the American people are as yet scarcely conscious of the meaning of economic recession to them. Public opinion is still tranquil, indeed complacent in the midst of bountiful harvests, good prices on the whole, increased wages;

it sees industrial production still busy, with its back-log of advance orders, and retail trade continuing under the impetus of all these factors.

There have been few strikes for many months; the weather has been grand almost everywhere; only a few local elections have stirred up their brazen echoes; the public has been able to give its full attention to football and the new motor-car styles, and to bask in the traditional American emotions of autumnal harvest time.

But some undercurrents need to be noted in this study of the public mind. One, important enough to be called a ground-swell, is the pronounced anti-war feeling. President Roosevelt, it is true, was not greatly rebuked for his Chicago speech, which implied some sort of action to quarantine peace-breaking Powers, but that was because his inference was so indefinite, and was followed a day or two later by an assurance that he had " learned much " in the years 1913 to 1921 when he was in the Wilson Administration. The public feeling against taking risks to keep the peace, or against what people call " involvement in foreign politics and wars ", is so powerful that it could sweep the Roosevelt Administration into helpless disrepute if a serious false move were made.

When President Roosevelt crossed the continent a few weeks ago, he constantly encountered this popular fear of American entanglement in wars, and met little conscious realization of the fact that the way to avoid ultimate entanglement is to take precautionary steps now. In his speeches, he sought to drive home the belief that isolation for America is quite hopeless, but he was working against a great intellectual and emotional barrier. Perhaps Mr. Roosevelt can win public confidence in himself personally as a pilot of foreign policies, and hence take the steps he deems necessary; but it is to be doubted whether the public will fully realize what he is at, or will follow him if they do.

Thus, out on the cattle range, at a little town in Wyoming (where the coyotes howl and the cowboys lament), Mr.

Roosevelt's special train stopped for a little while, and he stood on the back platform making a short political speech. One old chap, who looked very much like a retired cowboy, had clambered to the top of a nearby freight car. There was a worried look on the old chap's face, and at the first lull in Mr. Roosevelt's little speech he stood up on his freight car and shouted:

"Are ya goin' t' keep us out o' war?"

The President recognized a genuine voice of America, and he said:

"Things do look bad, but I think we'll pull through all right." And a few days later, at Chicago, he attempted a more definitive answer.

This trivial-seeming incident really reflects the pervasive inhibition which American public opinion still places upon its President. The public, it must be emphasized over and over again, is still dominated by nostalgia—nostalgia for the physical isolation which seems so possible when you are shut away behind one of two oceans and one of two mountain ranges. The public wants to keep out of war, and still interprets its desires in the ostrich sense. So great, however, is the basic desire for peace that there is just a chance it could be channelled by leadership into a positive policy. Toward that task, many of the recent speeches of the President and of Secretary Cordell Hull have been directed.

In all probability, most of the cabled accounts of the President's Chicago speech were devoted to his hint of concerted "quarantine" action, and his condemnation of peace-breaking nations. But even more significant for American opinion were the passages intended to persuade people that isolation is impossible. The President and the Secretary of State know that this consciousness may grow only slowly, but they are constantly hammering away at the theme.

Mr. Roosevelt, in two effective quotations from James Hilton's *Lost Horizon*—then showing in the nation's movie-houses—sought to prove that the United States can be

no Shangri La. In between the two quotations, the President put the following words of his own:

> If those things come to pass in other parts of the world, let no one imagine that America will escape, that America may expect mercy, that this western hemisphere will not be attacked and that it will continue tranquilly and peacefully to carry on the ethics and the arts of civilization.
>
> If those days are not to come to pass—if we are to have a world in which we can breathe freely and live in amity without fear—the peace-loving nations must make a concerted effort to uphold laws and principles on which peace can rest secure.

At this point, it is interesting to note, the Chicago audience—grouped around a windy bridge-head—burst into applause for the first time in the speech.

Again, later, the President said:

> War is a contagion, whether it be declared or undeclared. It can engulf States and peoples remote from the original scene of hostilities. We are determined to keep out of war, yet we cannot insure ourselves against the disastrous effects of war and the dangers of involvement. We are adopting such measures as will minimize the risk of involvement, but we cannot have complete protection in a world of disorder in which confidence and security have broken down.

These passages, which might be duplicated from several addresses of Secretary Hull, are part of an educational program: the uphill task of persuading the American people to take risks for peace. That part of these recent speeches can be taken with extreme seriousness. The parts which suggest that the United States may soon be ready to lead or share in any embargo or boycott movement need to be read with the greatest caution.

A few days after the Chicago speech, an important student of foreign affairs called on the President, and asked him about the possibility of embargo or boycott policies. "Ah, my dear fellow," replied Mr. Roosevelt in effect, "you are on page 257. I am only on page two."

Page three, it may be said, was the League condemnation of Japan. Page four was the State Department's alignment with Geneva. Page five was the summoning of the

Brussels conference. Page six was the dispatch of a technically strong American delegation—an effective diplomat, Mr. Norman Davis, and two especially well-informed expert assistants, Dr. Hornbeck and Mr. Moffat. Page seven was the attempt to get Japan to attend the conference. Pages eight and nine may see this effort to gain Japan's participation continued. And, as is obvious, there are many, many more pages before the stage of forceful economic action is even on the horizon. Indeed, that sort of action is in an entirely different chapter, and it is possible it will never be reached. For if it is clear that embargoes and boycotts are acts of hostility against which Japan might forcibly retaliate, then it is equally clear that the United States is not prepared to back up such policies with armed force. Public opinion, indeed, is not sure that the embargo chapter is in the book at all, even though the President believes it to be there. Certainly the American people would not tolerate the idea of a war with Japan over some Chinese provinces, nor upon any other terms short of a direct attack upon immediate American interests.

Thus, so far, the real policy of the United States is that of a mediating neutral. Our diplomatic and speech-making language may be that of a Power seeking to enforce the treaties, but our acts are those of an old-fashioned neutral. We sympathize with China, of course; we want to see Japan's aggressions curbed; we would like to see the war ended. But we are not prepared to send our fleet to put it to an end, and we know that Great Britain cannot spare its own fleet for these purposes.

While the great body of American opinion is strongly against forceful intervention by the United States, even our informed experts take the same view. Mr. Walter Lippmann writes:

> It is the part of wisdom to make our talk conform to our purposes, and to approach Japan and China, not as if we were members of the League, but as neutrals, concerned about peace and our interests in the Orient. No good can possibly come from a

policy of pinpricks, mild sanctions and provocative resolutions. They could deceive nobody except the Chinese, who would be the principal victims of the deception. The wiser course is to recognize the situation as it is, and to hope that China and Japan will make a peace, intervening only as friendly mediators and to protect by negotiation those interests which we deem to be important.

The official attitude is not so cautious as this. There is still a disposition to seek for diplomatic means of restraining Japan, in collaboration with Great Britain. Some faith is still pinned to condemnatory resolutions, and to meetings that reveal again Japan's isolation—from the democracies. But, mainly, American policy follows the meandering path of opportunism. As has so often been the case in Anglo-Saxon diplomacy, the State Department sends its diplomats to Brussels in the hope that "something will turn up." It is the next step to take. What will be done thereafter seems still a mystery.

II. British-American Relations

BUT one aspect of the Brussels meeting has already aroused forewarning here. It is the danger that under such circumstances misunderstandings between the United States and Great Britain may arise. Truth to tell, it is at just such well-intentioned but poorly planned moments that trouble creeps in. And in this instance it very much serves the book of various Powers to have a wedge driven between the two most powerful democracies. Already a good deal of latent misunderstanding and resentment is bottled up in Washington at the long-protracted delay over the Anglo-American trade agreement. It may be that, before these words are read, reason will have ruled, and some way out of the trade agreement impasse will have been found. But in early November Secretary Hull and his aides were certainly extremely anxious for the trade agreement to make swifter progress—if it has been making any progress at all. It is vital that the Hull program show better

results soon. Hearings have just been held over the Czechoslovakian agreement, which consolidated much domestic opposition to the Hull program. And it is clear that a good Anglo-American agreement is necessary to offer some inducement to the closed-economy nations. If the agreement falls flat because of objections in London, however excusably the blame may be laid at the Dominions' doors, the State Department will be grievously disappointed, and hence in a mood to believe the worst of Downing Street.

That the danger of a serious American–British misunderstanding is in the air, but that the State Department (and presumably the Foreign Office) are aware of it, was shown by an important little incident on November 1. Mr. Eden was quoted in early dispatches from London as having placed full responsibility for the calling of the Brussels Conference—and hence full responsibility in the eyes of Japan—upon the United States. The Foreign Minister was misrepresented. All he had said was that the decision for holding the conference in Brussels, instead of elsewhere, was the United States'. But the cables at first failed to make this distinction, and the State Department was frantic. A correct version was hastily obtained from London, distributed to the American press, and complete official satisfaction with the British attitude made entirely clear. Thus eagerly is the State Department attempting to prevent the rift that might so easily be produced.

This alertness, and the Administration's continued effort to lead public opinion toward a more positive peace policy, are almost the only really hopeful factors in the American foreign policy. Otherwise, the United States is sunk in difficulties similar to those of other democracies. What we seemingly gain by geographical isolation is doubtless a loss for the rest of the world. But President Roosevelt, whose personal and official policies were made clear in the Chicago speech, is still turning the pages of his book, and if we have not got beyond pages six or seven, it is important to recall that in his view there is a page 257.

III. The Check to Business

ALTHOUGH one wing of the Administration is working busily with the foreign problem, the President himself—by November—and most of his advisers were grappling exclusively with the problems raised by the halt, at least temporary, in the economic up-curve. The official economists are of no two minds. The Bureau of Agricultural Economics, an important group of over a hundred experts, using all the data available to the Government, concluded in a report on November 2:

> In the fall of 1937, the upswing of the business cycle has been temporarily halted. Although it is impossible to determine definitely to what extent the present recession will continue into 1938, the chances appear to be against a sufficiently early and vigorous rise in 1938 to bring the average of industrial activity and of consumer incomes for that year up to that of 1937.

These are measured words, coming from New Deal sources. The trend of wholesale prices, the Bureau continues, has been downward since April, 1937, and is expected to continue so into 1938. Industrial production, which kept high until the end of August, is also forecast officially to be lower in 1938 than in 1937. And the entire national income for 1937, tentatively estimated at about 69,000 million dollars, is expected to be lower next year.

The increased industrial activity in 1937, the experts point out, was due very largely to booms in steel and textiles. Cotton consumption by domestic mills was the greatest in history, and steel production reached the peak of 85 per cent. of capacity in August. But early in the summer recession set in, and in both industries production was sustained by burning the back-logs of accumulated orders. The government economists see little sign of an increased demand in the industries using steel, although plenty of need exists in the building trades. The railroads would likewise use much steel if they were granted fare increases, to overbalance the wage increases ordered earlier in the

[illegible] industries are still blocked. In housing, expansion is also under way.

Government economists, in that singularly objective report from the Bureau of Agricultural Economics, do not agree with the somewhat panicky view of certain stock-market operators that a major depression is upon us. "Many of the conditions which in the past have been associated with the termination of a major cyclical upswing in business activity now are absent," they conclude, in words that meet with agreement from the majority of private experts.

Many favorable factors are seen in the situation by economic analysts: business debts are low, credit is cheap and plentiful, banking resources are not strained, there is no building boom and there has been an absence of violent speculation of the type that frequently precedes the end of a business boom. The volume of security issues for new capital purposes during the first 7 months of 1937 was approximately 50 per cent. larger than in the same period of 1936. There exists great need for further expansion and rehabilitation of plant and equipment in many industries. The volume of demand deposits and money in circulation is considerably in excess of the volume in the late 1920's, sufficient to support a considerably higher level of activity, and the base is widened by a large volume of gold in excess of reserves. The expansion in the credit base is still fundamentally capable of supporting greater industrial activity and higher prices than have yet been reached in the recovery curve.

These are reasons for thinking that the recession which began earlier in the year is not likely to turn into a depression similar to that which ended in 1933. The peak of the late upswing was evidently reached at some time around March, and the subsequent recession was not wholly perceived, and not reflected in the stock market, until the end of August. Since then, of course, the market plummetings have done their part to drive the recession further.

The up-swing that ended earlier in the year was stimulated in great measure by the inflationary policies of the Administration. The cheap-money policy of the Federal Reserve Board, the soldiers' bonus, vast relief expenditures, and the imports of foreign gold all financed the boom. By mid-winter, the Treasury and the White House were alarmed at the proportions of the expansion, and began to deflate. The larger part of the excess bank reserves were wiped away, foreign gold was sterilized. And, while the federal budget on the surface seemed still to be unbalanced, the Treasury was actually taking in more money in taxes than it was disbursing in purchasing power. Deflation was under way. The extra funds which the Treasury was collecting, and not spending, were salted away in sterilized gold and social security bonds, which in reality reduced the national debt while for the moment adding to the apparent deficit.

The only way to replace the deficit in purchasing-power produced by this excess of collections over disbursements was for private capital to assume the spending formerly undertaken by the government. President Roosevelt urged private capital so to do. With the government failing to provide the nourishment for business, and with business failing to provide it for itself, a good deal of hunger—deflation—was bound to result. That is precisely what happened; for business, which in January looked as if it might take up the burden, went on strike.

Why did it go on strike? There are two ways of putting the answer. One is to say that private capital was frightened by President Roosevelt's threat to "master" it, was convinced by his Supreme-Court-packing plan that he intended to remove constitutional restrictions in the way of governmental regulation of business, and in alliance with militant labor was going to squeeze business into well-disciplined subordination to an all-powerful government. The other answer, advanced by New Dealers, is that business refused to rise to its patriotic responsibility, and, seeing an

opportunity to crush President Roosevelt beneath another depression, set about this task methodically and vengefully.

The reasonable explanation covers both answers. In February, when Mr. Roosevelt initiated his Court-packing plan and when strikes were at their height, the President was certainly making no effort to conciliate or persuade private capital into taking up the load that government was laying down. His attitude toward business has seldom been more militant. The Court plan, combined with the C.I.O. strikes, sit-downs and riots, reduced business to a case of jitters, even while momentum carried business indices higher. The New Dealers pointed to the indices and ignored the jitters, and now they are taking the consequences. On the other hand, it is also true that business saw an opportunity to have its revenge. And few can blame business. Moreover, in so far as industrial leaders felt that President Roosevelt was an ultimate menace to the national economy and polity, they were doubtless justified in using the weapons in their control—ballots having failed—to put him in a hole.

Now the great issue, one greater perhaps than the issues of political campaigns, hinges upon the outcome of this battle—this strike of capital. Already the Administration has made one concession, a surrender that may have sweeping consequences. The Federal Reserve Board has reduced its stock margin requirements to 40 per cent. Wall Street has been after the reduction all along, but it is even more anxious to get the Administration on the run, and one surrender is tremendously encouraging. The reduction of margin requirements is an assumption by the Federal Reserve Board that markets are too low, and that people ought to be attracted into the market by lower margins. The action makes the Reserve Board a judge of the price of stocks. If people are persuaded to enter the market by the action, and if then stocks go lower still, they can justifiably blame the Reserve Board for opening the door for them. It will inevitably be said that the Government

has encouraged speculation, and, if a crash comes, the blame will be laid to the Reserve Board by those who have lost their money.

Wall Street is not thinking of this aspect, though New Dealers who do not support the action of the Board are deeply disturbed. Wall Street simply sees that at a crucial moment investors have been asked by the Federal Government to come into the market, and a major concession has come out of Washington at last.

The next concession in line is the repeal or substantial modification of the Corporation Surplus Tax law. This measure has concentrated upon itself all possible opposition, including numerous important members of the Roosevelt Administration, like Secretary of Agriculture Wallace, Chairman Eccles of the Federal Reserve Board, and various others. Meantime, the President still talks about the distribution of more income to the "submerged one-third." That was his reply to press-men when they asked about further concessions to business. But his very talk may serve to mask a further gesture to persuade business to loosen up its purse strings, and ensure that the present recession is no more than a temporary downward fluctuation.

Major measures of the special session of Congress —the wages and hours Bill and crop control—are in the interest of the low-income group. Neither Bills, according to every indication here, will emerge in radical form. Crop control is not to be compulsory, except perhaps in the case of tobacco, where the growers are anxious for rigid controls. The wages and hours Bill will not affect major industry, which is already well above the minimum standards to be erected. And if Congress, early in the new year, proceeds to adopt measures conciliatory to business—as the legislators, beyond the slightest doubt, will do if they are given any encouragement—then it seems clear that capital will be under strong inducement to loosen up, and prevent the recession from becoming a major depression.

IV. The Political Horizon

REMAIN, however, the political factors. Business will still distrust President Roosevelt, and seek every means to replace him in 1940 with a more satisfactory President, meantime tying his hands through a rebellious Congress. It is a difficult time for the President. In no historical precedent has a President failed to lose strength at the mid-term elections of his second four years. And the present Congress, although elected on Mr. Roosevelt's coat-tails, showed from February to August its capacity for revolt. The tendency is bound to grow greater, even if a violently controversial Supreme Court plan is no longer in the picture, with the approaching jockeying for the next presidential nomination. Such elections cast long shadows before, in the United States. Precisely in order to preserve his authority, President Roosevelt refuses to renounce third-term ambitions. He has told friends that, if ever he declared himself ready to retire in 1940, the sweepstakes for his successor would be open, and he would be thrust out of his leadership. This is not to prejudge the question of his running in 1940: the best conclusion is that the matter is still very open. If the President feels his task is unfinished, and unlikely to be finished by a probable successor, he will be under strong impulsion to challenge old traditions and stand again. Only if his present tilting with business ends successfully for him is he likely to head voluntarily toward private life.

Business would be encouraged to resist the President, and spurning his potential concessions, to aim for his destruction, if there were real signs of leadership among the Republicans or clear possibility of a real alliance with the insurgent Democrats. But the Republicans are still damaging themselves by futile internecine squabbles. Former President Hoover, Candidate Landon, and National Chairman Hamilton are vying with one another for primacy. Senator Vandenberg is the real leader. But no practical

means of consolidating the party are yet visible. It is the same old story of futility in opposition, until some mystic corner is turned . . . and the corner is not yet in sight.

President Roosevelt, however, has plenty of trouble on his own side of the fence, and with his business adversaries. Whether this struggle will turn into a death-battle, or whether an armistice is in view, is perhaps the outstanding economic and political question confronting the United States.

United States of America,
November 1937.

COLONIAL TARIFFS AND QUOTAS

THE colonial question has reached a new phase. On the one hand, the German Government has officially installed the demand for the return of colonies in its international policy. On the other, the consideration of the economic aspect of the problem, which Germany herself has stressed in her propaganda, is passing rapidly from the stage of arm-chair study to the stage of action, if action by the colonial Powers is indeed called for.

I. Mr. Eden's Offer

NOT the least memorable part of Sir Samuel Hoare's speech of September 11, 1935, was that in which he pledged Great Britain to co-operate in an enquiry into the commercial access of different countries to sources of raw materials. The wheels moved slowly, but the committee appointed by the League of Nations to conduct the enquiry eventually reported in September of this year. Neither Italy nor Germany, the two chief complainants whose grievances had led to Sir Samuel Hoare's offer and the setting up of the committee, saw fit to take part in its work. It included, however, representatives of a number of other States, such as Poland, whose need for raw materials and whose want of colonial empires enable them to express the plaintiffs' case in this matter with as great an authority as the absentees. The Committee indeed exploded the notion that the world is sharply divided between a few countries that have under their sovereign control all the raw materials they need, and others that must beg their leave. There is

not a country, not an empire, that does not import vital raw materials from beyond its own borders. The vast bulk (97 per cent.) of the raw materials of the world are drawn, not from colonial territories, but from sovereign countries.

That, however, does not relegate the colonial economic question to unimportance. A large proportion of the supply of certain key materials—rubber, tin, copper and others—is included in the remaining 3 per cent. And it may be that proper consideration of the colonial side of the raw materials problem will suggest the right path towards a solution of the problem as a whole. The gist of the Geneva committee's report is that the problem of commercial access is first and foremost a problem of means to pay, a fact that is as true of all trade as it is of colonial trade. Hence there can be no full answer to the colonial raw materials question save in improvement of world trade generally. At the same time, colonial markets are no slight contribution to world trade; the problem of access to colonial raw materials is therefore closely linked to that of access to colonial markets.

It was obviously with this inter-connection in mind that Mr. Eden, in his speech of September 21 last to the League Assembly, pledged the British Government to consider specific proposals for relaxing its policy of colonial preference:

> As part of the efforts now being made (he said) to effect economic and political appeasement and to increase international trade—but without prejudice to the principle of colonial preference—we are ready to enter into discussion with any Powers which may approach the United Kingdom Government for an abatement of particular preferences in non-self-governing colonial territories where these can be shown to place undue restriction on international trade. This offer must, of course, be made subject to such reservations as may be necessary to secure reciprocal advantages to colonial products and to meet the competition of excessively low-cost producers.

This pledge is a severely limited one. It is an offer only to enter into discussion; it concerns only particular

preferences which place "undue" restrictions on trade; even so it reserves the right to maintain protection against "excessively" low-cost producers; it seems to imply, not a unilateral concession, but an exchange of reciprocal advantages; and it is made without prejudice to the general principle of colonial preference. We need hardly be surprised, therefore, that critics in the complainant countries poured scorn upon the mouse that was born of the mountains in labour.

The remarkable thing is, nevertheless, that after such long sterility the mountains have been brought to bed at all. The problem is at least recognised to be a problem. The question of colonial tariff policy has to be faced, not merely *because of the agitation of dissatisfied* Powers, *but on its* merits. If there is any "undue" restriction upon colonial trade, it should surely be removed whatever view we adopt of Germany's claim for colonies or Italy's shortage of raw materials. If we are, perchance, mistaken in our present interpretation of the duty of trusteeship, the mistake ought to be corrected without reference to European political issues. Mr. Eden's offer is a sign that the question is indeed being faced on its merits. The first stage in the task is a factual consideration of existing preferential policy in the dependent empire.

II. British Colonial Tariffs

THE extent and nature of the tariffs of the British colonies and protectorates are little known to public opinion in the United Kingdom or the Dominions. A complete summary is out of the question here, for the official publication recording colonial tariffs * runs to three octavo volumes. For purposes of illustration and comparison, six items have been used as samples in the following

* *Customs Tariffs of the Colonial Empire.* Part I—Africa. Part II—Eastern, Mediterranean and Pacific. Part III—West Indies. Colonial No. 127—1, 2 and 3 of 1937.

account. The first three are in the important textile group: cotton piece-goods,* manufactures of wool, and cotton shirts. The others have been chosen for special reasons: rubber-soled shoes with cloth or canvas uppers, because they are an article in which foreign competition, chiefly from Japan, has been so severe that an abnormally high protection for the British product has been imposed, and because they happen also to be an article of prime importance, especially in countries where hookworm is present, to the poor native who can afford no other kind of footwear; motor cars, because they, on the other hand, are of little importance to the native but of considerable importance to the European resident in the colonies, and also to British export trade; matches,† because they are a typical subject for revenue duties in the colonial empire, as in other parts of the world.

Four British colonies, all of them entrepôts, remain on a free trade basis—that is to say, imposing duties for revenue purposes only on a few items, usually alcoholic liquors, perfumes, tobacco and motor spirit. They are Aden, Gibraltar, Hong Kong and the Straits Settlements (Singapore). Aden alone gives no preferences. Gibraltar has a preferential tariff on liquors and tobacco, Hong Kong on brandy and tobacco, and in the Straits Settlements there are small preferences for Empire-produced brandy, wines and cigarettes. To these may be added the Falkland Islands, which have a similar tariff. In 1935, the exports of the United Kingdom to these five colonies totalled £10,124,000, and her retained imports from them £6,598,000.

The second group to be considered includes the territories in Africa in which the Open Door is guaranteed by international treaty (the mandates clauses of the League

* Where the tariff is graduated according to price or quality, the duty on the cheapest variety is quoted.

† The duties on matches are variously determined in different colonial tariff schedules; for purposes of comparison they have been reduced to the basis of "per gross of boxes containing not more than 100 matches."

Covenant, or the Congo Basin pledges). They are Nyasaland, Zanzibar, the Gold Coast, and the customs union of Kenya, Uganda and Tanganyika. Northern Rhodesia, though partly within the conventional Congo Basin zone, has a preferential tariff for the rest of her area and must be classified in a different group. In Nigeria an Anglo-French agreement formerly guaranteed equality of commercial access; the agreement has been denounced by France, but the Open Door is still maintained—a fact for which Mr. Eden claimed recognition in his Geneva speech, describing Nigeria as our largest African colonial market. The whole Open Door group accounts for a large slice of the United Kingdom's colonial trade—£11,724,000 of exports and £10,248,000 of retained imports in 1935.

Although these territories have no preferences—apart from special measures against Japanese trade—they have tariffs that run to a considerable height. Thus on rubber-soled canvas shoes the tariff in the Kenya union is 20 per cent. *ad valorem* or 40 cents a pair, whichever is the higher; in Nyasaland 20 per cent. or 6d a pair; in Zanzibar 15 per cent. or 30 cents a pair; in the Gold Coast 20 per cent. or 9d a pair; in Nigeria 9d.* The most common, or the standard, rate of duty *ad valorem*—sometimes with an alternative minimum specific duty—is 20 per cent. in the Kenya customs union, in Nyasaland and in the Gold Coast, and 15 per cent. in Zanzibar and Nigeria. In the latter, however, goods not specified as dutiable enter free. The effect of a high tariff, generally speaking, is to diminish the competitive advantages of the very low-priced product. It may also be to divert purchases to other articles altogether.

In Nigeria and the Gold Coast (as well as in Gambia, which falls into another group, since it has a general preferential tariff) additional duties are chargeable upon certain classes of goods imported from Japan. The articles concerned are

* The Nigeria tariff is subject throughout (with a few exceptions) to a surtax of 10 per cent. of the amount of the duty.

cement, galvanised iron sheets, paints and varnishes, shirts, singlets, cardigans, jerseys and pullovers, and socks and stockings (not the last in the Gold Coast). Gambia adds to the list all other apparel, including hats, haberdashery, and boots and shoes; matches, bicycles, and all cotton and silk goods. These extra duties are very high. Thus on cotton shirts, which sell wholesale for a couple of shillings, the total duty on Japanese products is 1s. 9d a garment in the Gold Coast, and 2s. a garment in Nigeria and Gambia.

These special duties on Japanese products in West Africa were part of the strong measures taken in May 1934 to safeguard colonial markets for British textile and other industries. The measures mainly took the form of import quotas, based on the volume of trade in earlier years, and applicable to all foreign cotton and rayon goods, but in effect principally striking Japan, whose trade with the colonial empire had been rapidly expanding. In the chief West African colonies, however, where treaty undertakings precluded discrimination in favour of British goods, action was limited to imports from Japan, after the preventive terms of the Anglo-Japanese trade treaty had been denounced. The present summary of colonial tariffs must be read in the light of the fact that they are reinforced by the cotton and rayon quotas.

The next group comprises the African, Indian Ocean, and Pacific Ocean colonies in which there is imperial preference—Northern Rhodesia, Somaliland, St. Helena, Gambia, Sierra Leone, Mauritius, the Seychelles, the Solomon Islands, the Gilbert and Ellice Islands, Tonga and Fiji. They took £2,301,000 of the United Kingdom's exports, and supplied £5,249,000 of her retained imports, in 1935. The duties imposed by the chief of them on the specimen items are tabulated on the next page.

The standard tariff scales of the territories omitted are as follows: Somaliland, 15 per cent. preferential and 25 per cent. general; St. Helena, 10 per cent. preferential and

Countries.	Cotton Piece-goods. *Per cent. or per sq. yd.*		Woollen Manufactures. *Per cent. or per sq. yd.*		Cotton Shirts. *Per cent. or per garment.*	
	Pref.	Gen.	Pref.	Gen.	Pref.	Gen.
Northern Rhodesia *	10%	20% *or* 1½d per yd.	*commonly* 15% 10%	25% 20%	12%	20% *or* 6d
Gambia † .	¾d	1d	10%	12½%	3d	3¾d
Sierra Leone	1d	2d	20% *or* 6d	60% *or* 1s. 6d	20% *or* 6d	60% *or* 1s. 6d
Mauritius .	5%	26% ‡	5%	26%	5%	26%
Fiji . .	20% *or* 1d per yd.	40% *or* 2d per yd.	20% §	40% §	20% *or* 6d	40% *or* 1s.

Countries.	Rubber-soled Canvas Shoes. *Per cent. and per pair (men's).*		Motor Cars. *Per cent.*		Matches. *Per gross boxes of* 100.	
	Pref.	Gen.	Pref.	Gen.	Pref.	Gen.
Northern Rhodesia *	10%	10% *plus* 1s.	10%	25%	2s.	4s.
Gambia † .	4d	6d	5%	25%	1s. 10½d	3s. 1½d
Sierra Leone	20% *or* 6d	80% *or* 2s.	Free	20%	1s. 10½d	4s. 4½d
Mauritius .	5½%	5½% *plus* 70c.	5½%	36⅝%	Rs. 3.30c.	Rs. 3.30c.
Fiji . .	20% *or* 1s.	40% *or* 2s. 1½d	20%	40%	7s. 6d	11s. 3d

* The Congo Basin tariff is the same as the preferential tariff. Northern Rhodesia has, in addition, special customs agreements with Southern Rhodesia and the Union of South Africa, involving preferential tariffs on tobacco imported into the Zambesi Basin.

† See above for special tariff on Japanese goods.

‡ With minimum specific duties according to weight, etc.

§ Or a scale of specific duties.

12½ per cent. general; the Seychelles, 15 per cent. preferential and 25 per cent. general; the Solomon and Gilbert and Ellice Islands, 12½ per cent. preferential and 25 per cent. general; and Tonga, 12½ per cent. preferential and 20 per cent. general.

The next group comprises a different type of dependency—the Eastern territories in which native machinery of government and means of expression have reached a much more advanced stage than in most of Africa.

Countries.	Cotton Piece-goods. *Per cent. or per yd.*		Woollen Manufactures. *Per cent.*		Cotton Shirts. *Per cent.*	
	Pref.	Gen.	Pref.	Gen.	Pref.	Gen.
Malay States * exc. Johore	10% *or* 2½c.	20% *or* 5c.	10%	20%	10%	20%
Johore.	Free	20% *or* 5c.	Free	Free	Free	Free
North Borneo	7½%	15% *or* 2c.	7½%	15%	7½%	15%
Sarawak	Free	Free	Free	Free	Free	Free

Countries.	Rubber-soled Canvas Shoes. *Per cent. or per pair.*		Motor Cars. *Per cent.*		Matches. *Per gross boxes of* 100.	
	Pref.	Gen.	Pref.	Gen.	Pref.	Gen.
Malay States * exc. Johore	10c.	50c.	Free	20% †	$1.73	$1.73
Johore.	Free	50c.	Free	20% †	$1.28	$1.28
North Borneo	7½%	15% *or* 40c.	10%	30%	$1.60	$2.40
Sarawak	Free	Free	10%	30%	72c.	72c.

* The Federated Malay States and Kedah, Kelantan, Perlis and Trengganu. The tariffs of the several states differ in minor particulars, notably in regard to the duty on matches; in Perlis the duty is $1.44, in Kelantan $2.88 on foreign matches and *nil* on Empire matches.

† Extra tax payable on foreign cars upon first registration.

The tariff levels here obviously tend to be lower, and the preferential margins smaller, than in the previous group. The high tariffs against foreign rubber-soled canvas shoes are again noticeable. This group is of relatively small importance in the external trade of the United Kingdom, taking only £1,693,000 of her exports and supplying £1,842,000 of her retained imports in 1935.

Next comes a group of three colonies which have progressed further still towards self-government. Indeed, two of them, Cyprus and Malta, have enjoyed in the past constitutions embodying a very high degree of self-government, which have had to be suspended for reasons irrelevant to the present enquiry; and Ceylon, since 1928, has had a peculiar form of parliamentary government which leaves only residual and emergency powers in the hands of the imperial authorities. There has been more than one conflict between the latter and the elected parliament (the State Council) over issues of tariffs, quotas and preferences. When, in 1934, the restrictive quotas on foreign textiles were imposed throughout the colonial empire (except where international undertakings forbade it), the State Council passed a strong adverse vote, and the system was enforced over their heads by use of the Governor's reserve powers. Shortly before this episode, the State Council had agreed to the grant of imperial preference on a series of goods, an undertaking that was due to expire this year. In view of the bitter feeling in Ceylon, it was not surprising that a trade delegation which recently represented the colony in London should have come armed with the threat to rescind the policy of imperial preference altogether, unless satisfaction was obtained in regard to the quotas and other matters. The delegation, according to the Ceylon Minister concerned,* tried to persuade the Secretary of State *to agree to the complete abolition of quotas in Ceylon.* Neither the Colonial Office nor the Board of Trade found it

* Reported in the *Manchester Guardian*, September 13, 1937.

possible to accept that proposal, but a compromise was effected. Grey cloth was to be exempt from the quota system, the existing quotas in respect of other classes of cloth were to be increased by 50 per cent., and before the quotas for 1939 were fixed the whole question would be examined again with a view to relaxing it or even abolishing it altogether. These terms were granted only on condition that Ceylon accepted the principle of imperial preference. The colony obtained a further concession in the direction of autonomy in fiscal affairs. In future negotiations on trade or associated matters Ceylon will treat directly with India, instead of having the negotiations conducted for her by the Colonial Office. A representative of the Imperial Government, however, will be present as an observer, and any resultant pact will be signed by the Secretary of State.

This agreement aroused a storm in Lancashire. A deputation which met the Secretary of State and the President of the Board of Trade was mollified, however, *by a statement that the situation in Ceylon constituted no* precedent for similar action elsewhere. There was no intention, declared the Government spokesmen, of revising the policy of quotas on textile goods in colonial markets. The British Empire had been built up on the principle of the gradual development of self-governing institutions, and under the Ceylon constitution the people of Ceylon must as far as possible be given the direction of their own affairs. The imposition of quotas in 1934 by means of an Order in Council and against the wishes of the State Council had caused great and continuing bitterness. The Secretary of State hoped, he said, that the question of imperial preference would now be removed from the political arena, and that goodwill would be reinforced. A resolution had in fact been passed in Ceylon continuing the preferences without a time limit.

Illustrations of those preferences are contained in the following table :

Countries.	Cotton Piece-goods. *Per cent.*		Woollen Manufactures. *Per cent. or per sq. yd.*		Cotton Shirts. *Per cent. or per garment.*	
	Pref.	Gen.	Pref.	Gen.	Pref.	Gen.
Ceylon. .	5%	10%	15%	25%	15%	25%
Cyprus .	12%	20%	15%	30% *or* 1s.	16%	25% *or* 10d
Malta . .	10%	20%	10%	20%	10%	20%

	Rubber-soled Canvas Shoes. *Per cent. or per pair (men's)*		Motor Cars. *Per cent.*		Matches. *Per gross boxes of* 100	
	Pref.	Gen.	Pref.	Gen.	Pref.	Gen.
Ceylon. .	15%	15%	20%	27½%	Rs. 2.67	Rs. 2.67
Cyprus .	1s.	2s.	10%	30%	5s.	8s.
Malta . .	8d	8d	15%	35%	2s.	2s.

Here also a certain moderation and discrimination in the grant of preferences is discernible. Ceylon and Malta, it will be seen, give no preference on matches or rubber-soled canvas shoes. Further examination of Ceylon's tariff shows that the non-preferential list includes arms and explosives, asphalt and cement, petrol, flour, scientific and other instruments, some classes of iron and steel, wines and spirits, and all goods not specifically enumerated. In Malta the standard tariff is preferential, but among the goods not subject to preferences are beer, slippers and sandals, fruits, wheat, biscuits and confectionery, meat, domestic animals, petrol, methylated spirits, varnish, sugar, tiles, tobacco, vegetables, cotton waste. Cyprus has a preference throughout her tariff, the standard rates being 16 per cent. preferential, 24 per cent. general. In 1935 the three colonies between them accounted for £5,138,000 of the United Kingdom's exports and £8,690,000 of her retained imports.

The last group of colonies is the West Indies. These

islands include some of the oldest communities in the British colonial empire, and most of them have secured a high degree of local responsibility in their own affairs, including tariffs. It may be noted that the West Indies concluded with Canada a trade agreement for the exchange of preferences (which were also accorded to the United Kingdom) as long ago as 1912.

Countries.	Cotton Piece-goods. *Per cent.*		Woollen Manufactures. *Per cent.*		Cotton Shirts. *Per cent. and per garment*	
	Pref.	Gen.	Pref.	Gen.	Pref.	Gen.
Barbados *	6%	20%	10%	20%	10%	20%
Bermuda †	10%	12½%	10%	12½%	10%	12½%
British Guiana	15%	30%	16⅔%	33⅓%	15%	30% *plus* 24c.
Jamaica	10%	20%	15%	20%	15%	25% *plus* 7½d
Trinidad *	10%	20%	10%	20%	10%	24c.

Countries.	Rubber-soled Canvas Shoes. *Per cent. and per pair.*		Motor Cars. *Per cent. and per* 100 *lb.*		Matches. *Per gross boxes of* 100.	
	Pref.	Gen.	Pref.	Gen.	Pref.	Gen.
Barbados *	10% *or* 3d	30% *or* 1s. 3d	10%	30%	1s. 1d	2s. 2d
Bermuda †	10%	12½% *plus* 1s. 3d	10%	37½%	10%	12½%
British Guiana	16⅔%	50% *plus* 24c.	20%	40%	$1	$2
Jamaica	15%	25% *plus* 1s.	10%	30%	6s.	8s.
Trinidad *	13⅓c.	40c.	$4.80‡	$9.60‡	60c.	120c.

* Surtax, in the form of a fixed percentage of the duty payable, is levied in these colonies as follows: Barbados, 10%; Trinidad, 15% (not charged on motor cars or rubber boots and shoes).

† Including surtax of 25% of the duty charged under the general tariff; there is no surtax on goods from the British Empire.

‡ On cars weighing up to 3,000 lbs.

Only the principal markets have been listed in this table. In the others the standard rates of duty (subject, of course, to many variations on individual commodities) are as follows.

	Preferential. *Per cent.*	General. *Per cent.*
Bahamas	10	20
British Honduras	12½	25
Virgin Islands *	8	12
Other Leeward Islands *	10	15
Grenada and St. Lucia	15	22½
St. Vincent	12½	18¾
Turks and Caicos Islands	10	15
Cayman Islands	12½	12½

* Subject to surtax as follows: Antigua, 20% (of the duty payable); Dominica, 15%; Montserrat and St. Christopher, 25%; Virgin Islands, 2%.

In 1935 the total share of the United Kingdom's external trade driven with the West Indian group was £6,762,000 of exports and £7,452,000 of retained imports.

This rapid survey by sample has shown four main things. The first is the wide variety of tariffs in the British colonial empire, not only as between different kinds of colony—West Africa and the Malay States, for instance—but also as between different colonies situated in the same part of the world and having very much the same economic problems. This is surely a tribute to the weight of local opinion in fixing the details of tariff policy, including those of imperial preference. Local conditions, needs, prejudices, vested interests, could alone account for so wide a variety within the same general system. The second outstanding fact is the broad similarity in the manner in which different commodities are taxed. Thus on cotton piece-goods the rule is an *ad valorem* tariff of moderate height with a moderate preference—say, 20 per cent. and 10 per cent.—occasionally buttressed by a specific duty. Woollen textiles are subject, in the majority of cases, to no special treatment, but

fall under the standard rate applicable to classes of goods not separately enumerated in the tariff. Motor cars bear, generally, a moderate rate of preferential duty—most often, 10 per cent.—but an abnormally high rate of general duty—25 per cent., 30 per cent., or more. Matches show the widest variety of tariff duties, and here is plainly an item that has been left, more definitely than others, to the local colonial authorities to decide how to tax, mainly for the purpose of revenue but secondarily as a field of Empire preference. Cheap rubber-soled shoes appear as a distinct item in almost every colony's tariff, and the general rule is the reinforcement of a substantial *ad valorem* duty on the foreign product by a stiff alternative or additional specific duty. It is hard to believe that this item has been singled out for such strong protective treatment on the spontaneous initiative of a score or more of colonies scattered all over the world.

The third outstanding fact is the relatively high level of many of the colonial tariffs and preferences. The frequency of preferential margins of 15 per cent., 20 per cent. and upwards may be a surprise to those who thought that when the policy of the colonial Open Door was modified after 1931 the preferences allotted were comparatively small. It must, of course, be remembered that colonial territories have always relied largely upon customs for their budgetary revenue, and that therefore the "platform" on which the preferences are erected is a comparatively high one; but the height of the "ceiling" in many cases is nevertheless striking.

The fourth point is that, while such preferences as there are may be large, and many of the general duties punitive, the areas in which British goods are given very little or no tariff advantage account for over half of Great Britain's exports to the colonial empire. What is more remarkable is that these are the colonial areas with which she has a favourable balance of trade. Here is a summary of her trade with the different groups that have been tabulated.

COLONIAL TARIFFS AND QUOTAS

EXPORTS FROM, AND RETAINED IMPORTS INTO, THE UNITED KINGDOM, 1935

(000,000's *omitted*)

To or from	*Exports.*	*Retained Imports.*
Dependent empire :—	£	£
Free trade ports	10·1	6·6
Open Door area	11·7	10·2
Other African, Indian Ocean and Pacific colonies	2·3	5·2
Malaya, etc.	1·7	1·8
Ceylon, Cyprus, Malta . . .	5·1	8·7
West Indies	6·8	7·5
Total, dependent empire * . .	37·7	40·0
Total, British Empire	215·3	254·3
Total, foreign countries . . .	265·8	446·4
Grand Total	481·1	700·7

* Excluding the Palestine mandate, the Sudan and New Hebrides condominiums, the South African protectorates, the Channel Islands, and the whale fisheries.

Allowing for the fact that the preferential tariffs of the colonies—notably that of Ceylon, almost the largest market of them all—do not cover by any means all imported commodities, we can say with assurance that barely 3 per cent. of Great Britain's exports enter the markets of the dependent empire under a tariff or quota preference. The smallness of this proportion is, of course, an argument in two directions: it suggests that foreign protests against the preferences have been artificially inflated, and at the same time it weakens any purely material objections to a reduction or abandonment of the preferences on moral or political grounds. It means, in fact, that we can consider the problem on its merits without fear that a conclusion adverse to any or all of the preferences would entail an economic sacrifice too large to be faced.

III. Some Questions

THE policy of preferences in the colonial empire has been justified by its supporters as an exchange of benefits between colonies and metropolis (and to some extent the Dominions) which would be willingly accepted as profitable by the inhabitants of the colonial territories were they able to judge the matter for themselves. This interpretation is supported by the fact that the fully self-governing Dominions have accepted, indeed initiated, the preferential régime. Scepticism may linger, however, when such local opinion as can express itself is restive, as it has been in Ceylon, or when, as in the case of the cotton quotas, a policy is imposed from Whitehall without hint of a reciprocal concession. On that occasion the President of the Board of Trade (Mr. Runciman) caused some uneasiness by his possessive phrases in relation to colonial markets.*

In the absence of an effective voice from the natives of the colonies themselves, and subject to any over-riding considerations there may be, the *apologia* must stand or fall by the question, whether the bargain is in fact a just one. It is therefore necessary to consider what tariff advantages Great Britain affords to the colonial empire. The British tariff has four main elements: the old revenue duties on staples, the 10 per cent. general tariff, the special duties imposed as a result of Ottawa, and the protective duties existing in 1931 or imposed under the Import Duties Act. The last element hardly concerns the colonial empire. Of the Ottawa pledges, the most important for the colonies are those concerning coffee (a preference of 9s. 4d per cwt.), bananas (2s. 6d per cwt. on foreign fruit), dried fruits (10s. 6d per cwt. on foreign fruits). On the ten-per-cent. list, which gives free entry to Empire products, are a number of commodities of importance to the dependent colonies, including copra, ground-nuts and sisal. The free list, on the other hand, includes rubber, tin, manganese

* See The Round Table, No. 96, September 1934, p. 740.

ore, phosphates, cotton, cottonseed, copper, wool, hides and skins, essential oils, cork, cassava, ivory and pearls, articles which together form a very high proportion of total colonial exports. Of the old revenue duties, those on tea, cocoa, coffee, sugar and tobacco are very important for the colonies. The tea duty is at present 6d per pound on foreign and 4d per pound on Empire tea. Foreign cocoa and coffee pay alike 14s. per cwt., while Empire cocoa pays 11s. 8d and Empire coffee 4s. 8d per cwt. The sugar duty is on the scale of 8s. 1·6d per cwt. on foreign sugar, 4s. 4·8d per cwt. on Empire sugar generally, and 1s. 4·8d per cwt. on "certificated" sugar from the West Indies, Mauritius, Fiji, Kenya, Uganda and Tanganyika. These rates were stabilised under the international sugar pact of last May, which stipulated at the same time that any future increase in Empire consumption of sugar would be shared between Empire and foreign producers. The tobacco duties form a complicated schedule; the preferential rate on tobacco in the leaf is 8s. 2¾d per lb., against a general rate of 10s. 6d.

To assess whether the balance of advantage is fair between the British and the colonial preferences is a matter for elaborate argument. One side-aspect that is sometimes neglected is the gain that may accrue from the British preferences, not to the colonial native, but to the British investor in colonial industry. But if the judgment turns out to be favourable there are still some questions to be answered. Is a trustee, as we profess ourselves to be in relation to the colonies, entitled to make a commercial arrangement with himself on behalf of his ward which is to his own profit, even though it also be to his ward's? Is he bound to seek for his ward other opportunities for profitable bargains with third parties—for instance, a preferential agreement between Malaya and Japan? May a bargain which is balanced for a country as a whole be unfair for some section of its people—for instance, the native agriculturalist who may have little to gain from greater prosperity in export industries but much to lose from

a rise in the price of his simple necessities? Do we accept the idea of a "dual mandate"—as trustees both for the natives and for civilisation—and is the second part of that trust compatible with discrimination against other civilised countries than ourselves? Is a colonial empire hedged by higher tariffs against foreign goods than against our own on the line of progress towards a settlement of the colonial problem as it affects Europe, towards world peace, and towards a permanently wise and just relation between the Western nations and the subject peoples of Africa and Asia? These are questions that cannot be ignored; the answer to them may well suggest a qualification of the view that colonial preferences can be regarded simply as part of a commercial bargain.

TURKEY, A KEY STATE

I. Aftermath of War

ON July 24, 1923, the signature of the treaty of Lausanne brought the Turks peace and gave their leaders an opportunity to take stock of their country's condition after twelve years of almost continuous warfare. Soldiers by training and profession, they regarded foreign policy first and foremost as a department of national defence. Economics and political ideologies interested them infinitely less than the politico-military situation in the Levant. Such had been the tradition of the Turks even in the quieter periods of the nineteenth century; a series of disasters had emphasised the necessity of saving the remnants of the Turkish heritage.

The situation that confronted them was still dangerous. The Arab provinces had gone, and although the rally under Ghazi Mustafa Kemal had saved the Turkish racial stronghold in Asia Minor, with its European bridgehead, and had checked Kurdish separatism, the Anatolian homeland had been impoverished and depopulated by war, epidemic and massacre. In the eyes of the Turkish chiefs the demilitarisation of the Straits constituted a perpetual threat to the communications between East Thrace and Asia, and exposed one of the few relatively easy approaches to the Anatolian plateau. Cilicia, one of the chief cornlands of Asia Minor, might be threatened by the transfer to France (as mandatory of Syria) of the largely Turkish Sanjak of Alexandretta. The British occupation of the Mosul province of 'Iraq threatened to cause complications in Kurdistan. Great Britain, indeed, had taken the place of Tsarist Russia as the arch-enemy. Communist Russia had

become Turkey's only powerful friend. Turco-Greek relations were bad, and remained so until 1928. Former Italian claims to part of southern Anatolia caused the Fascist Government to be regarded with suspicion. The sympathies of Germany and Hungary were necessarily platonic. Rumania and the Slav States of the Balkans might have been more friendly but for their fear of Soviet Russia, Turkey's friend and soon perhaps to be Turkey's protector.

II. Great Britain and Turkey

RUSSO-TURKISH relations, however, have never developed into more than a useful business partnership. Turkey and Russia were forced together simply by the pressure of the Entente Powers. Victory over the Greeks released the Turks from their almost complete dependence on Russian support; what was more, the Lausanne conference revealed a marked divergence between Turkish and Russian policy, when the Turks refused to fall in with the Russian proposal that no warships save those of the Black Sea Powers should enter the Dardanelles. The new Russian culture did not (and does not) interest the Turks, and communists who agitated against the republican régime had (as they have today) short shrift. But common interests as well as common fears kept Russia and Turkey together. Turkish enmity might mean the exposure of the most vulnerable points in Russia—the oilfields of Transcaucasia, the coalfields of the Don basin, the southern half of the Ukrainian grain belt—to western air attack. Russian hostility meant for Turkey a permanent threat to the eastern provinces, intrigue among the disaffected Kurds and the imposition of still heavier military burdens on the Turkish peasantry.

Moreover, Lausanne was followed by the Anglo-Turkish dispute over Mosul. When this was decided by the Council of the League of Nations in favour of Great Britain,*

* December 16, 1925.

the Turkish Government and press were loud in their denunciations of the League as a tool of British imperialism. The Soviet Government made instant use of the occasion by signing a treaty with Turkey, in which each of the contracting parties promised the other to maintain a friendly neutrality in the event of diplomatic or military complications with another State. But this treaty did not altogether satisfy the Turks, who felt that the results of Russian friendship had not fulfilled expectations. Turco-Russian military conventions had contained promises of active assistance in the shape of military supplies and technical advice in the defence of the Dardanelles. The desire of the Soviet Government for financial accommodation in London and Paris made it unwilling to fulfil these undertakings.

The League's decision, indeed, proved somewhat unexpectedly to have been a turning-point in Anglo-Turkish discussions. Mr. Baldwin's meeting with Ferid Bey, the Turkish Ambassador in London, almost immediately after the League Council had spoken, paved the way to negotiations at Constantinople between Sir Ronald Lindsay and Dr. Tevfik Rushdi (now Rüstü Aras), the Turkish Foreign Minister, which ended in the Anglo-Turkish treaty of June 6, 1926. The treaty determined the Turco-'Iraqi boundary generally in accordance with the League Council's decision, but it also guaranteed Turkey 10 per cent. of the revenue that might accrue to the Government of 'Iraq from its oilfields. The steady improvement in Turkish relations with 'Iraq, and the cessation of border affrays, presently convinced public opinion of the value of the treaty. Thenceforward Anglo-Turkish relations improved. The visit of part of the Mediterranean fleet to Constantinople in October 1929 broke the ice; the Greco-Turkish entente of 1930 relieved many English politicians and publicists of their supposed or self-imposed duty to champion the cause of the "progressive" Greek against the "gentlemanly" but *ex-hypothesi* "backward" Turk. In July 1932 the

entry of Turkey into the League of Nations, with the cordial support of Great Britain and the Dominions, marked another stage in reconciliation.

These, however, were minor factors in the development of Anglo-Turkish friendship. It depended ultimately on the rôle which the Turks and British respectively proposed to play in the eastern Mediterranean and the Near and Middle East. After their experiences from 1918 to 1923 the Turks were to some extent justified in asking whether the British had accepted the defeat—for such it was—of the policy that Mr. Lloyd George had championed. Great Britain had been their most redoubtable enemy in the world war; she had raised the Arabs against the Turkish Caliph, had stripped the Empire of its southern provinces, had at least played with the idea of Kurdish independence, had suborned the Greeks to devastate Anatolia, and had helped or bribed all manner of Turkish " traitors " to undermine Turkish nationalism. On the British side, resentment at the ill-treatment of British and Indian prisoners of war, and the massacres and deportations of the Christian minorities, had taken time to die down. More important, however, than this emotional hostility was the belief that Turkey had become a client State of Soviet Russia: an armed porter guarding the approaches to the Black Sea, a channel for the dissemination of communism in the Balkans and the Levant, and a possible ally of the Soviets in an offensive against British imperial interests and communications.

Neither picture was ever entirely accurate: both had ceased to correspond with facts within five years of the treaty of Lausanne. The British, who had suffered less, were the first to recognise their mistake. They saw that Turkish nationalism had done them a great service by repudiating the Caliphate and the Pan-Islamic ideal, which had given Sultan Abdul-Hamid and the Committee of Union and Progress their chance of establishing a " nuisance value " in India and the Arab world: they

presently realised that while the new Turks desired to remain on the best terms with Russia they had no intention of subordinating their national interests to her convenience. The Turks, in their turn, began to contrast the ill-concealed annoyance with which the Soviet Union regarded their entry into the League with the warmth of the British welcome. They had no more cause to complain of British policy in 'Iraq, and now that they had abandoned the policy of aloofness in favour of an understanding with Greece and other once-hostile countries it was logical enough that they should aim at renewing friendly relations with Great Britain.

Reference has already been made to Mr. Baldwin's timely intervention in the last days of 1925. Sir Ronald Lindsay's efficient conduct of the subsequent negotiations left an excellent impression on the leaders of the new Turkey. He was succeeded by Sir George Clerk, who carried out his difficult and sometimes delicate mission with patience and success. On one famous occasion he delighted Ghazi Mustafa Kemal and all Turkey by his skill in compliment. The occasion was a diplomatic reception. The Ghazi, indignant at the prophecy of a foreign journalist that his death would leave Turkey leaderless, hotly told the assembled Ambassadors and Ministers: "If I die, there are a thousand Turks who can take my place". "Excellence", retorted the British Ambassador, "vous exagérez mille fois".

On the Turkish side, the credit for the change must be given in the first place to the President, Ghazi Mustafa Kemal, now Kemal Atatürk, a soldier of genius and a hard-headed political realist, by temper *impiger, iracundus, inexorabilis, acer*, but incapable of sulking in his tent and blessed with the exceptional gift of knowing when to exploit success and how far it can safely be exploited. He is largely responsible for the abandonment of the anti-foreign attitude which was a natural consequence of the war and its aftermath. His former chief of staff, General Ismet

Inönü, who has just resigned his Prime Ministership after fifteen years of office, has been his loyal lieutenant and has shown balance and statesmanship in his handling of foreign relations. But the conduct of the details of Turkish foreign policy has been mainly in the hands of Dr. Tevfik Rushdi (now Rüstü Aras), once a gynæcologist, who has become an important and sympathetic figure in European diplomacy. Dr. Aras talks with a volubility which is often hard to follow; he has been accused of "pactomania" by his critics; his friends once feared that he might offer to act as mediator between the U.S.S.R. and the British Empire. But, when these foibles have been enumerated, the fact remains that the Foreign Minister of the new Turkey has had a hand in the Greco-Turkish entente, the Balkan and Asiatic pacts, and a series of agreements with France and Russia; that his defence of his country's case in the Alexandretta dispute and during the Straits conference has been consistently competent; that he has fully understood the value of personal contacts; and that he is emphatically a man of good will whose policy has been skilful, prudent and conciliatory.

By the autumn of 1935, Anglo-Turkish friendship had made great progress. The Italian attack on Abyssinia and defiance of the League of Nations strengthened it further. Italian propaganda imputing selfish motives to the British stand had little effect. The Turkish Government honoured their obligations under the League Covenant, imposed economic sanctions, and undertook to co-operate against the aggressor in the Mediterranean in the event of an unprovoked attack on any member of the League which was executing its decisions. When the German Government, in March 1936, denounced the Locarno pact and reoccupied the Rhineland with military forces, Turkey clearly favoured the British policy of conciliation. The only remaining question on which Turkish and British policy might differ was settled in the following summer.

III. The Montreux Conference

THIS was the question of the Straits, demilitarised and largely internationalised by the treaty of Lausanne. The Turks had never liked the limitations imposed on their sovereignty by the Straits Convention of 1923. They had, however, accepted them in the hope that the special guarantees then given by Great Britain, France, Italy and Japan would be implemented. These Powers had promised that if the Straits or the demilitarised zones were threatened by war or attacked they would join in meeting such a violation of Turkish rights by all the means that the League Council might sanction. From the beginning of the Manchurian crisis Turkish hopes waned. By the end of 1935 their Japanese guarantor had left the League and Italy had defied it. Though tempted to present the League with a *fait accompli*, the Turkish Government, aided by British advice, preferred to request its permission to fortify the Straits. In a note addressed to the Council, Dr. Aras stated the painful truth that in 1923 the European situation " presented an aspect totally different from that of to-day ", and that recent " political crises have made it clear that present machinery for collective guarantees is too slow in coming into operation ". The Turkish case was strong: the manner in which it was presented made it stronger still.

At first British official opinion was not altogether happy at the prospect of a restoration of full Turkish sovereignty over the Straits and the abolition of the International Straits Commission. The British Government contended in vain that some visible reminder that the Straits were an international waterway should be preserved. Their naval and military advisers, however, made it clear that the fortification of the Dardanelles and the Bosporus would merely regularise rather than alter the actual situation. Since 1923, Russia had become a first-class military and air Power; the Turks had constructed strategic roads and had concentrated troops and war material at points from which they

could occupy the Straits within a few hours. In these circumstances it was obvious that no fleet from the Mediterranean could risk a campaign in the Euxine or follow an enemy up the Straits without a measure of Turkish consent far exceeding mere neutrality. The British delegates consequently fought a good-tempered rearguard action, chiefly against Russian claims. The results of the conference were tersely summed up in *The Times* of July 20, 1936.

The new Convention authorises Turkey to fortify the Dardanelles and the Bosporus. It leaves the Straits open to commercial vessels, but introduces drastic limitations on the number and size of foreign war vessels of external Powers allowed in peace-time to enter the Straits or gather in the Black Sea. The acceptance of this restriction of the former freedom of the Straits and Black Sea is a concession to the Turkish and Russian desire for increased security. Turkey wishes to be able to keep a marauder out of the Straits or make things hot for him if he insists on coming in; Russia in 1936 distrusts the idea of an unlimited number of Fleets as big as her own Black Sea Fleet being able to gather at one of her thresholds.

The States within the Black Sea, of which the chief is Russia, retain the right in peace-time to send out their warships almost without hindrance; this again represents a general acceptance of the Russian view that Russia must be able to send her ships from the Black Sea to her other ports.

The Convention recognises League law as supreme (with a formal Japanese reservation) in that it leaves the last word about the opening or closing of the Straits in war-time to the League; and foresees that they should be open to States bent on helping each other against aggression under League agreements if the League itself should fail to reach unanimity and other action. Thus French oil supplies from Rumania, and joint Franco-Soviet, Franco-Rumanian, Rumano-Turkish, or other action against an aggressor are all safeguarded as far as forethought and a paper convention can safeguard such things.

No subsequent events have disturbed Anglo-Turkish friendship. King Edward VIII was warmly welcomed on his private visit to Istanbul, as Constantinople is now named. The Turkish Government co-operated most loyally with Great Britain at the recent anti-piracy conference at Nyon. Meanwhile commercial relations between the two countries

are improving fast. Important harbour works will be constructed by British contractors, and orders for £2,750,000 worth of plant for new iron and steel works have been divided among eight British firms.

The Soviet Government have frequently shown signs of jealousy at what has been called "the second Anglo-Turkish honeymoon", but the new Straits Convention shows conclusively that Russo-Turkish co-operation continues to be close, and is likely to remain a constant fact in east European politics. The prolongation until 1945 of the treaty of friendship and neutrality of 1925, of the protocol of 1929 and of the agreement of 1931 restricting naval competition, is an additional proof of this. For the reasons already given, neither country can afford to lose the support or at least the benevolent neutrality of the other. The Turks certainly wish to keep on the friendliest terms with the Soviet Government for military, political and economic reasons; and they have not forgotten Russian friendship in their years of trouble. But they expect Soviet Russia to realise that Turkey, while disposed to follow the same general lines of foreign policy as the U.S.S.R., has to safeguard her own interests and her growing international prestige. She will not surrender her right to choose new friends, nor will she forego legitimate national advantages in deference to Russian susceptibilities.

IV. Turkey, Italy and the Balkans

THE relations between Turkey and Italy have been marked by curious vicissitudes. During the Allied occupation of Constantinople, the Italians took pains to produce the most favourable impression, but during the Mosul dispute fears that the Fascist Government might intervene on the British side made them suspect. When that dispute had been settled, the political and economic ties between the two nations were greatly strengthened. Italy saw a good market for her textiles in Anatolia and obtained

orders for Turkish warships. Italian competition with French cultural influence in the Levant resulted in advantages to Turkish students. Italy did much to promote the Greco-Turkish understanding of 1932, and until 1934 the Duce's stock was high at Angora. But on March 18 of that year Signor Mussolini, addressing the leaders of the Fascist party, declared *inter alia* that the historic mission of his country lay in Africa and Asia. He explained that there was " no question of territorial conquests ", but added that while Italy demanded no privileges and monopolies she did not want earlier arrivals to block " her spiritual, political and economic expansion ". In spite of subsequent explanations, the speech caused much uneasiness in Turkey, which was temporarily increased by false rumours that a military expedition was preparing to sail for Rhodes. The Turks are good enough soldiers to realise the military importance of the Italian possession of the Dodecanese, and it was not surprising that they paid more attention than ever to their fortifications on the Ægean coast.

Before they had quite recovered from their alarm came the attack on Abyssinia. One of the motives that had impelled the Turks to join the League of Nations was the hope that they might thus be enabled to obtain support for their claim to be allowed to re-fortify the Straits. It was no thanks to Italy that the hope was fulfilled; her Government has not yet formally recognised the Straits Convention. Her Spanish policy has further intensified Turkish anxieties, and though Turkey is in fact as " totalitarian " a State as Italy, and the Turks are naturally disposed to prefer General Franco to the Frente Popular, the national interest forbids any acquiescence in the ultimate domination of the Mediterranean by a great Power which already has a strong naval base in Leros, within a few miles of the coast of Asia Minor.

Greco-Turkish relations are now excellent. The rough but effective surgery of exchange of populations, and the settlement of other contentious questions, made the old quarrel between Greek and Turk over the Byzantine

heritage an archæological survival. In 1930 M. Venizelos, who had built up a great reputation on two wars and had brought Greece into the second by the bait of an Asiatic empire to be won from Turkey, had the courage and good sense to go to Angora, where, aided by Turkish statesmanship, he achieved one of the greatest successes of his remarkable career. The signature in November 1930 of a treaty of friendship and arbitration, providing for the neutrality of either of the contracting parties in case of attack on the other by a third Power, of a commercial and shipping convention, and of a regional agreement providing for the mutual restriction of naval armaments, prepared the way for a series of agreements settling long-standing disputes over minorities, trade and financial claims, and culminating in the Turco-Greek agreement of September 14, 1933. By this instrument, Greece and Turkey mutually guaranteed inviolability of their common frontiers and undertook to consult one another " in all international questions which may interest them ". The entente had become an alliance.

From this treaty, which was obviously designed for mutual protection against any attempt by Bulgaria (with or without Yugoslav aid) to obtain a corridor leading to an Ægean harbour, it was not a long step to the Balkan pact signed at Athens on February 9, 1934. Turkey, Greece, Rumania and Yugoslavia guaranteed the inviolability of their respective Balkan frontiers * and agreed to assume no obligation towards any other Balkan State without consulting the other signatories of the treaty. It was said at the time that a Balkan agreement which omitted Bulgaria and Albania was a contradiction in terms; it certainly seemed that the interest of Turkey and Greece, and perhaps of Rumania too, in the signature of the pact was a consequence of the striking and not altogether welcome improvement in the relations between Bulgaria and Yugoslavia.

Distrust of Bulgaria certainly affects Turkish foreign

* *I.e.*, as fixed by the treaties of Neuilly and Lausanne and the Paris protocol of 1926 which fixed the frontiers of Albania.

policy, and cannot be entirely explained by Turkish opposition to a Bulgarian corridor to the sea or suspicion of the small Bulgarian minority in eastern Thrace. Fear of Bulgarian irredentism seems quite unjustified, given the relative military strength of Turkey, even without allies, and of Bulgaria; and it is possible that this Turkish attitude is really a result of the steady refusal of the Bulgarian Government to interfere in the struggle between the modernist minority and the conservative majority among the 600,000 Turks who inhabit eastern Bulgaria.

As to the eventual attitude of Turkey towards any ultimate increase of German political influence in the Danubian basin and the Balkans, all that can be safely predicted is that her rulers will be influenced by considerations of national security and interest rather than by any ideological preferences or by purely economic considerations. Meanwhile, Germany does almost as large an import and export trade with Turkey as all the other great Powers together. Despite the drawbacks of modern German methods, agreements concluded during September in Berlin are designed "to safeguard the favourable development which has taken place in the exchange of goods between Germany and Turkey in recent years". The Turkish desire to remain on good political terms with the Third Reich is illustrated by the reserve with which the Turkish press and Foreign Office have discussed the German intimation that certain clauses in the Montreux Convention are not favourably regarded by Germany, especially those relating to the passage of the Straits by Russian warships.

V. The Near East

THE maintenance of good relations with Russia relieves Turkey of any fears of trouble with the Transcaucasian States. The Turks, for their part, have no intention of indulging in "Turanian" propaganda in Russian Asia. Relations with Persia (Iran) were somewhat strained during

the Kurdish revolt in the Ararat region, but were put on a satisfactory footing by the agreement of 1930, which prevented the Turkish Kurds from using Persian territory as a base for raids, by means of the rectification of the frontier. The Shah's visit to the Ghazi in 1934 marked the new friendship between two former rivals, and last July came one of Dr. Aras' greatest successes, the signature of the pact of mutual non-aggression by the Foreign Ministers of Turkey, Iran, Afghanistan and 'Iraq. The pact, which had been initialled at Geneva in October 1935, was not signed until a dispute between Iran and 'Iraq had been settled by Turkish mediation. The pact is described as one of friendship, consultation and non-aggression, designed to secure political security in the Middle East by means of guarantees within the framework of the League of Nations and in accordance with the Kellogg Pact. The contracting parties undertake to abstain from interference in each other's internal affairs, to respect their common frontiers, to commit no aggression against one another, and to prevent the formation in their territories of bands or associations seeking to disturb the peace of any one of their number.

Suggestions that Pan-Islamic or "Turanian" ideals inspired the pact are ridiculous. The Turks have promoted the pact for two reasons. First, they realise that past Anglo-Russian and Anglo-German rivalry in the Near East, which did so much harm to the peoples of that region, was largely the result of Oriental weakness and disunion. The stronger and more united are the Near Eastern States the less temptation they will offer to capitalist or communist imperialism. Secondly, they believe with the Iranians and the 'Iraqis that Kurdish nationalism, so far as it exists, is a danger to the integrity of their territory, and they know that religious hostility to the new lay régime has its chief stronghold in Kurdish districts.

Turkish relations with France as mandatory for Syria have been more complicated. In spite of the notorious Franklin-Bouillon agreement with the Nationalists in 1921

and the French evacuation of Cilicia, France was not too popular at Angora. The appeals of French high finance and Orient freemasonry for the life of Javid Bey in 1926 sealed his doom and angered the Turks. Disputes over the payment of Turkish foreign debts gave France the reputation of a hard-hearted creditor. On the Syrian border, sporadic affrays continued until 1929, when the Nisibin–Tigris section of the frontier was finally delimited.

At the end of 1936 came the Alexandretta dispute. The French had agreed in 1921 to give the Sanjak (province) of Alexandretta, where Turks were the most numerous element in a mixed population, administrative autonomy, and to give the local Turks full cultural freedom. These concessions were not impaired by the treaty of Lausanne, and the Franco-Turkish treaty of 1926 laid it down that whatever new form of administration might be introduced in Syria the special régime of Alexandretta would always be taken into account. But these agreements did not allow for the situation that must arise whenever France surrendered the Syrian mandate. The (still unratified) treaty of 1936 whereby Syria will become an independent ally of France in 1939 produced an immediate dispute. Angora maintained that the prior attachment of the autonomous Sanjak to Syria did not warrant its inclusion in an independent Syrian State. The Quai d'Orsay held that past agreements could not affect the territorial integrity of Syria, and observed that negotiations might wait until Syrian independence drew nearer.

At this point Ghazi Kemal Atatürk suddenly departed by train to the headquarters of the Southern Command. His Ministers followed in his track and prevailed on him to return to the capital, but not until the French Government had been seriously alarmed. It has been said that the President's dash southwards was the result of a decision taken without consulting his Ministers after a convivial evening, and that General Ismet Inönü's recent resignation reflected his disapproval. It is doubtful, however, whether

the Ghazi's move was really so unpremeditated. It certainly succeeded in its object, interesting the British Government and the League Council in the dispute; Mr. Eden's mediation resulted in a compromise and a reference to the League. The details of the resulting settlement, whereby the Sanjak was to be demilitarised and to retain its autonomy though attached to Syria, under the guarantee of France and Turkey, are less important than the evidence given by the dispute of the ease with which the Turkish public could be excited in favour of Turks living outside the borders of the republic.

Future Turkish relations with Arab States will depend largely on the lines followed by Arab nationalism. If "Arab" is identified with "Moslem Arab", and if some sort of theocratic government is set up in Syria, or if the Turkish minorities of Aleppo and northern 'Iraq suffer from Arab racial hostility, then Turkey cannot be expected to look smilingly southward. Otherwise, she will be content to live and let live. For the new Turks have no need for expansion, and no great interest in political ideas. Their present system of plebiscitary dictatorship suits them well enough. With a few modifications it may suit them for a generation more, while they develop, colonise and enrich their great and long-neglected homeland in Asia Minor, which could hold twice its present population of under 15 millions without overcrowding. Meanwhile the main lines of their policy, the maintenance of friendship with both Great Britain and Russia and the active support of Balkan and Near Eastern concord, seem likely to survive Ministerial changes.

THE DEFENCE OF AUSTRALIA

I. The New Programme

THE Parliament of the Commonwealth reassembled on August 24, and after a session that lasted only three weeks it was dissolved for the general election of October 23. Australian Ministers who had visited England for the Coronation and the Imperial Conference had just returned; and almost the first business of the session was a statement by the Prime Minister, Mr. Lyons, on the proceedings of the Imperial Conference, in which he gave an account of the discussions and decisions on all the subjects that had been dealt with. Defence he treated as the most important, and he outlined new plans, based on the decisions of the Conference and the discussions that Ministers had had with the British Government, to continue the steps already taken to carry out the defence resolutions of the Conferences of 1923 and 1926.

In 1934 the Parliament of the Commonwealth approved a defence programme for the three years from July 1, 1934, to June 30, 1937. This provided for the building of one cruiser (7,250 tons armed with 6-in. guns) and some smaller craft; these vessels have been completed and bring the strength of the Australian fleet to four cruisers (two with 6-in., two with 8-in. guns), one seaplane carrier, one flotilla leader, four destroyers and a few smaller vessels. New expenditure under the military vote was mainly for re-arming the fixed defences of Sydney, Newcastle, Brisbane and Fremantle, and improving the armament and equipment of the military forces (which have a strength of only 35,000). The air force was increased in strength, and the ordnance and ammunition factories were enlarged.

Expenditure on this programme (including the ordinary maintenance of the forces), and in preparation for a new programme announced in 1936, with which the programme of 1937 will be combined, reached during the three years about £21,000,000; the share of the navy, including munitions expenditure, was a little over £9,000,000, or nearly 45 per cent.

In his statement to the House of Representatives Mr. Lyons said that Australia's vital interests, for which the plans of defence must provide, were the free passage of seaborne trade, both coastal and oversea, and the prevention of attack by raid or invasion. The former depended solely on naval forces. There had been full consultation in London, with the British Government and its advisers, as to the direction in which Australia could co-operate in Empire defence by maintaining and developing the Royal Australian Navy. Empire naval defence based on Singapore, with the co-operation of the Australian fleet, would not only secure Australian sea communications, but would also threaten the communications of an enemy from any part of the world bent upon the invasion of Australia.

It will be evident that Australia has a real and vital interest in Empire naval defence (Mr. Lyons said), as it is the first line of defence against invasion. It is important, therefore, that we should continue to maintain the Royal Australian Navy at a strength which is an effective and fair contribution to Empire naval defence, and increased provision to this end will be made in the new programme.

Later in his statement, Mr. Lyons referred again to the "basis of policy".

It is an unavoidable geographical fact that the first line of defence of the Commonwealth is naval, and if we expect a British fleet to be based on Singapore, as a safeguard to Australia, we must be prepared to co-operate and provide for the squadron necessary in our own waters. With such security provided, the enemy is kept at arm's length, our shores are maintained inviolate, and our overseas trade moves freely to its markets throughout the world. In a world armed to the teeth and with small States existing on the

sufferance of powerful neighbours and looking for allies, it is not likely that the Australian people will accept a policy of non-co-operation which would deprive them of Britain's powerful aid in such uncertain times as these. Our people are wise enough to realise that our defence rests on two pillars, one of which is our own maximum effort, and the other Empire co-operation. Furthermore, in co-operating in Empire naval defence, Australia does not enter into any commitment or surrender any vestige of the sovereign control of its own policy.

But, Mr. Lyons went on to say, the solution of the Australian defence problem is not furnished by any one service; for all have their parts to play in a balanced scheme. The Government's proposals for the strengthening of the other arms, at a total expenditure of £11,500,000 in 1937-38, were given later in the debate on the defence estimates, and are referred to below.

The announcement of this large expenditure has aroused little public interest. The people of Australia have not been greatly concerned with preparations for defence. One feels the contrast between to-day's attitude and the enthusiasm of the pre-war years for the building of the first Australian navy and the commencement of compulsory military training. Australia, like other countries, was disillusioned by the results of the world war; and there has since been a much greater body of theoretical opposition to war, and of genuine feeling for international accord, than there was a quarter of a century ago. There was great difficulty a year ago in raising the voluntary recruits for infantry units that were required to bring the strength of the military forces, which are almost wholly militia, to 35,000. The smaller numbers required for permanent service in the navy and the air force are readily obtained, as are recruits for technical units of the militia, but the infantry, despite the very modest demands on the time of the militiaman, remains insufficiently attractive to give an adequate choice of recruits.

II. Labour's Defence Policy

THE Government's most active critic, in Parliament and outside, has been the Leader of the Opposition, Mr. Curtin. In the debates in 1936 and this year on the estimates of the Department of Defence he challenged the emphasis given in the Government's plans to expenditure on the navy. In last year's debate * he said it was clearly beyond the power of Australia to provide by her own efforts a fleet large enough to protect herself from invasion. It was beyond the power of Britain to protect the heart of the Empire and at the same time to maintain a sufficient fleet in the western Pacific.

> If an Eastern first-class Power sought an abrogation of a basic Australian policy, such as the White Australia policy, it would most likely do so when Great Britain was involved or threatened to be involved in a European war. Would the British Government dare to authorise the despatch of any substantial part of the fleet to the East to help Australia? . . . The dependence of Australia upon the competence, let alone the readiness, of British statesmen to send forces to our aid is too dangerous a hazard upon which to found Australia's defence policy.

Accordingly, Mr. Curtin continued, a greater degree of self-reliance in Australia's defence was essential. This did not imply any real conflict of interest between local and imperial defence; on the contrary, an improvement of our self-reliance would assist the Empire fleet to be kept concentrated at the decisive point, wherever that might be. Australia could hold out against interruption of oversea trade, if adequate reserves of oil and other essential supplies that we do not produce ourselves were maintained in peace time. To attain security against raids and invasion, the principal means within our resources were the strengthening of the land and air forces; and an essential element in the attainment of self-reliance was an increased capacity to produce munitions.

In public controversy Mr. Curtin has since maintained

* November 5, 1936.

that Australia must rely mainly on air defence. Australia, he said, could not maintain an adequate navy, and any navy she had might be taken away from her shores if war broke out. "The Labour party's policy," he wrote, "is against participation in foreign wars and for the reservation of all Australia's strength for defence of the land in which we live".*

The congress of the Australasian Council of Trade Unions held in Melbourne in July last went further than this. It resolved to organise the masses against war; to oppose the rearmament policies of the British and Australian Governments; to support a policy of collective security through the League of Nations; and to oppose any resumption of compulsory military service (a measure which the Labour party had itself put into operation in 1910). Mr. Curtin was quick to repudiate these decisions; they would not be followed, he said, by the Australian Labour party.

In the debate on Mr. Lyons' speech of August 24 this year, Mr. Curtin repeated his previous statements.

> I preface what I intend saying this afternoon by asserting the unswerving allegiance of the Opposition to the British Commonwealth of Nations, and also to His Majesty the King as the symbol of this most remarkable association of nations in what has been described by the Attorney-General (Mr. Menzies) to-day as an unhappy world. The Labour party will stand definitely to ensure the safety of the Australian people and the security of the territory of the Commonwealth. . . . We on this side of the House insist that in the final analysis this nation shall not be committed to warlike activities outside Australia without the absolute and established consent of the Australian people.† . . . No less than the Government will we make proper preparation to ensure the effective competence of Australia to defend itself against aggression or to repel invasion. . . . When all is said and done, that represents a definite contribution to the security of the Empire; because Australia is an important part of the Empire. Having regard to the realities of the situation, the imperative obligation has been placed on the people of Australia not to rely

* *Melbourne Herald*, July 30, 1937.

† This statement has had much publicity during the election campaign, being described as a proposal that a referendum be taken before Australia defends some vital interest outside Australian waters.

upon assistance from Great Britain, which might or might not be available, but to take the most effective steps to contribute to their own capacity to be self-reliant in this matter.

He went on to advocate defence in the air rather than by the navy. The Lyons Government had so far provided eight squadrons, or 96 planes.

We can have fifty squadrons, or 600 planes, for a capital outlay of £15,000,000.* . . . On existing costs we can maintain and "replace" 50 squadrons for £5,000,000 per annum. . . . No man will say that powerful fleets of aerial bombers and fighters are sufficient to prevent an enemy landing on our shores, but it can be said, and every man knows it to be true, that in a country like ours, a country of vast distances between possible points of assailment, it is our air-borne fleets that will most quickly arrive at the point of danger to combat enemy planes, to bomb his plane-carriers and troopships, and put up first resistance until land-borne men and guns arrive.

These, then, are the principal points in controversy. Are we to continue to give first place in our defence expenditure to the navy? Yes, say the Government; naval defence is the only defence that will safeguard our sea trade, that will assist in the general defence of the Empire, and will justify us in expecting that the Empire fleet will be available to ensure the safety of Australia by deterring an attack or dealing with it before our own shores become the theatre of war. No, say the Opposition; if we maintain the navy, it will be taken away from us when we need it in our own waters, it will involve us in wars that are no business of ours, and expenditure on it will make impossible an efficient air and land defence. To defeat Australia, say the Government, it is sufficient to blockade our ports. "If Australia's markets were closed, and her imports and exports stopped by enemy action, she could be forced to sue for peace without a single enemy soldier coming within sight of her shores." † No, says Mr.

* In reply the Minister for Defence said that Mr. Curtin had made no provision for ground establishments, and that the capital cost of 50 squadrons would be £30,000,000.

† Sir George Pearce, Minister for Defence, in a speech on September 25, 1933.

Curtin; we are self-contained in food and clothing and most of our essential supplies, and in peace-time we could accumulate sufficient stores of those we do not produce.*

" So long as adequate Empire naval forces are in being," says Mr. Lyons, " the danger of the invasion of Australia is remote ".†

An adequate fleet would proceed to Singapore in emergency. The necessary strength exists for this purpose, and it is obvious that the United Kingdom would not expend a huge sum on a fleet and a base at Singapore for the protection of its own vast interests if it did not intend to safeguard them should the need arise. The same fleet and base which are a shield to the interests of the United Kingdom also safeguard Australia and other parts of the Empire.

No, replies Mr. Curtin, and he quotes a member of the present Government, the war-time Prime Minister Mr. W. M. Hughes: " The British Navy is no longer able to ensure the safety of Australia ". He cites Mr. Winston Churchill as declaring that Singapore was as far away from Japan as Portsmouth is from New York, and could not be regarded as in any way a menace to Japan. " I now ask," said Mr. Curtin, " how Singapore can be so far away from the Yellow Sea as not to be able to hurt it, and be a thousand miles further away from Sydney, and yet be able to protect it? I put that question to the naval experts on the Treasury bench ".‡

It may perhaps be worth while to add, on the side of

* See a discussion of the effect of stoppage of oversea trade in *Japan and the Defence of Australia* by " Albatross " (Melbourne, 1935), pp. 38–45.

† Commonwealth Parliamentary Debates, August 24, 1937.

‡ The Treasury bench, if they had pursued this argument, could have called in aid a Japanese naval expert, Lieut.-Cmdr. Tota Ishimaru. In his work translated under the title *Japan Must Fight Britain*, discussing the circumstances in which Japan might attack Australia, he says (p. 178): " Japan at war with England could hardly hope successfully to carry out any plan she might have to invade Australia and New Zealand, unless she had first got command of the sea by destroying any British fleet there might be at Singapore. . . . So long as the British have a powerful fleet at Singapore, Australia and New Zealand are safe from invasion and their inhabitants can sleep in peace."

Mr. Curtin, that in each of the last three years, to go no further back, there have been crises in international affairs in which the British fleet, at its existing strength, could apparently not have protected the Empire in Europe and the Pacific at the same time, and that it seems likely that some time will pass before the fleet could face such a task; and, on the side of the Government, that the lack of success of recent air attacks on warships and landing parties, both in the Mediterranean and in the Far East, may throw doubt on the power of defence in the air to prevent or defeat an invasion of Australia or even a raid.

III. Self-Reliant Security

When the details of the defence estimates were laid before Parliament it appeared that nearly £8,000,000 had been provided for services other than the navy, and that the Government attached great importance to the air force and was prepared for still larger expenditure on it. The total expenditure on defence, which during the three years 1934–35 to 1936–37 averaged £7,200,000, and in 1936–37 was £8,500,000, is to reach £11,500,000 in 1937–38. Of that sum, £2,500,000 will be raised by loan from the Commonwealth Bank in London and used for equipment purchased in England. The provision for the several services is as follows:

	1937–38 vote.	Increase over previous three years' average.
	£million.	*£million.*
Navy	3·6	0·6
Military force	3·3	1·0
Air force	2·7	1·6
Civil aviation	0·9	0·7
Munitions supply	1·1	0·5

Although the naval vote is increased and is still the largest, there is to be no new construction, save of small vessels for use in connection with port defences. The increase goes partly to rearmouring two of the present cruisers,

partly to port defences; and Darwin is to be developed as a naval sub-base for co-operation with British forces based on Singapore and other bases in the East. The increase under the army vote is mainly for coastal and anti-aircraft defences. The air force is to be enlarged by several additional squadrons of improved types. The increase in the air force is much less than Mr. Curtin has advocated, and, it would appear, less than the Government will be ready to provide in the future; but it may be as large as the present organisation can absorb in one year.

Discussion of defence in the election campaign has thus not turned in the main on the claims of the navy and the air force. What has figured most in the headlines has been the Government's insistence on the importance of imperial unity in questions of defence. "We consider a policy of isolation from Great Britain suicidal," said Mr. Lyons in his policy speech. He emphasised also that Australia cannot expect assistance unless she prepares to take her share in defending other parts of the Empire, and that the Government must be ready to do so when the need arises. Mr. Curtin, on the other hand, has continued to advocate a self-reliant defence.

So far the fourth service, the most vital of all—munitions—has scarcely been mentioned. This has the lowest expenditure of the four; but, if we are to have the self-contained defence that all parties say we need, far more must be spent on government factories and on encouraging private industry. For the past year, statements have been made by the Minister for Defence of the great progress made in provision of munitions. During the Imperial Conference, telegrams from London kept the public informed of statements made by the Minister regarding the extent of Australia's equipment and its readiness to undertake to supply other parts of the Empire. In actual fact, the government factories are large enough to turn out, on a war scale, supplies of rifles, machine guns and small arm ammunition, and they are to be equipped with plant

for making the Bren machine gun; but it seems doubtful whether in any other important requirement they produce more than a small part of the current supplies that would be required by the forces in war. As to co-operation with industry, and the multifarious preparations that would be needed to change commercial factories over to the production of munitions, there have been many complaints from manufacturers that little or no response has come to their offers of co-operation. But £100,000 is now being provided for experimental orders.

One step of the first importance has been taken—the establishment by a group of public companies of an aircraft factory at Port Melbourne,* which will shortly be in production; at its initial scale, however, it could supply only a small part of the wastage of planes that would occur in war. The Government has also given vigorous encouragement to the production of petrol from shale, and has made some provision for storage of fuel oil.

Without a self-sufficient munitions supply, navy and army and air force would soon have to cease fighting. The present expenditure must be enlarged if that possibility is to cease to be a probability. The Department of Defence has suffered from the lack of a public opinion strong enough to bring the Government to a more vigorous effort. What Australia needs is a self-reliant defence strong enough to justify a firm attitude in diplomacy and to deter a possible enemy from lightly undertaking an adventure against us. And the need will be as great in 1938 as it is likely to be in the 'forties.

Defensive preparations are indeed being made, but some of them in rather a leisurely way. The prominence of defence questions in the election campaign has, however, done something to focus attention, and it seems reasonable to hope for more vigorous measures in the future.

Australia, October 1937.

* See THE ROUND TABLE, No. 107, June 1937, p. 664.

A NEW PHASE IN INDIA

I. The Provincial Scene

SIGNIFICANT political readjustments are now taking place throughout British India. The country is awakening to a new awareness of its altered constitutional circumstances. Popularly elected Legislatures have superseded bureaucracies in the eleven provinces; and events have entered upon that trying period of transition separating the establishment of provincial autonomy from the creation of federation, which is the ultimate purpose of the Government of India Act of 1935.

Formidable difficulties are facing the new provincial Governments, particularly those formed by the Congress, but auspicious tendencies are not lacking. A mood of cautious optimism prevails. The first budgets have been presented, and show that the new Ministries are moving warily. The Congress party, holding office in seven provinces, recognises the wide gulf that lies between promise and performance. Although some legislative ventures have been undertaken in response to awkward pledges, there are ample signs that the Congress Ministers are alive to the responsibilities they have assumed. A spirit of hopefulness underlies all Indian political comment, and it may be asserted with some conviction that political thinking has undergone a radical change in recent months. The change implicitly admits that, in the provinces at least, Indians have come into their own.

Conditions vary throughout the country; the problems in Madras and Bombay are not the same as those in Bengal or the North-West Frontier Province. But everywhere the tone of political thought has been elevated to a new

level. It is frankly admitted that the British Governors are cordially co-operating with their Indian Ministers. Behind the scenes in some provinces lie grave problems, particularly in those areas where extremer elements predominate, but there are no indications that Ministers will allow themselves to be stampeded into policies that will thwart the intentions of the constitution. The hostility to the Act that remains is directed almost entirely against its federal aspects. This hostility is intensifying throughout British India at a time when the Princes believe that they will soon be called upon to decide the question of their accession to federation. In the provincial sphere, however, it is obvious that the Ministries are giving the Act the fairest trial, desire to serve the people, and are anxious to foster legislative policies that will improve the social and economic status of their provinces.

Madras and the United Provinces are regarded as the key areas under provincial autonomy. Madras has a record of successful working of earlier reforms; in the United Provinces some peculiar problems call for solution, particularly in the rural sphere. It is generally thought that Madras will set the political tone for Congress Ministries throughout the country, and that the United Provinces will be the scene of Congress experiments in economic reform. Mr. C. Rajagopalachariar, Premier of Madras, is an ardent believer in Mr. Gandhi, staunch in his loyalty to the Mahatma, adroit as a politician, and capable in intellectual ability. The province is well equipped to develop provincial autonomy to its fullest expression. In the United Provinces the Premier, Pandit Govind Balabh Pant, is a socialist. Formerly deputy leader of the Congress party in the Legislative Assembly at Delhi, Pandit Pant follows the guidance of Pandit Jawaharlal Nehru, whose direction of affairs in the province is reputed to be paramount. The view is held that Madras will interpret the political philosophy of Mahatma Gandhi, the United Provinces that of Pandit Nehru.

Less interest is shown in the other provinces, although each of them presents peculiar problems. In Bengal, Hindu discontent with the Moslem Ministry creates awkward situations. In the North-West Frontier Province, a Congress Ministry has displaced an earlier coalition of conservative complexion. In Bihar, the Congress Ministry is essentially moderate in outlook and policy, guided largely by Babu Rajendra Prasad, who is not in the Ministry, but wields strong influence among Congress men in the province and elsewhere. In the Punjab, a Moslem Ministry faces hostility from Sikhs and Hindus, but is solidly supported by a large majority. In the Central Provinces, moderate forces of Congress are in control. Bombay faces peculiar difficulties, deriving on the one hand from industrial issues and on the other from rural problems in Gujerat. The Assam Ministry has faced several defeats and, like that of Sind, is only now settling down to the experiences of office. Orissa is generally regarded as an area in which experiments will be retarded by financial handicaps, which indeed harass Ministries everywhere.

II. Congress Ministries at Work

WHILE acceptance of the responsibilities of office has had sobering effects upon the Congress Ministers, Left-wing elements are demanding more radical policies. Socialists within the party contend that by their prudence the Congress Ministers are inviting popular discontent against the Congress instead of the constitution. Such extremists regret that the party accepted provincial office, and claim that the organisation has virtually agreed to the constitution that it formerly condemned.

Such propagandists are proving embarrassing. In urging more drastic reforms in the existing social order, local Congress agents are striving to make the Ministers run when they are merely anxious to walk. In the villages,

efforts are being made to arouse the political consciousness of the landless; in the towns, labour agitators are stirring up dissatisfaction. The Congress Ministers are endeavouring to steer an even course between conflicting political theories, seeking to implement their electoral obligations without disrupting either the social or the economic conditions of their provinces. Responsible Congress leaders have clearly indicated that it is neither desirable nor possible at the present juncture to embark on radical programmes which aim at altering the basis of society, and this realistic attitude is tending to modify the views of many who were formerly extremists. Even the Left-wing leaders realise that hostility to the Congress Ministers may seriously affect the prestige of the whole Congress organisation, and have definitely stated that loyalty to the new Ministries is a fundamental obligation at the present time.

Proponents of the democratic theory discern one grave defect in the provincial situation. This is the attempt that is being made by the upper hierarchy of the party to control the Congress Ministries. At a meeting of the Congress Working Committee in Delhi a special committee was established to supervise the Congress Ministers in office. Three zonal dictators were appointed to co-ordinate an inter-provincial policy, and their activities are regarded by some as the negation of democratic control. There is a strong tendency on the part of Congress Ministers to turn to Wardha, the headquarters of Mahatma Gandhi, and to Allahabad, the headquarters of Pandit Nehru, for political guidance; and the theories of both men are greatly influencing provincial activities. Mahatma Gandhi, in his own publication, *Harijan*, has very definitely outlined his ideas of how the Ministries should function, and these opinions are receiving the support of Ministers who are unwilling or unable to oppose them, even when they are unreal and inappropriate. Pandit Nehru still hankers after his socialist State, and, while

appealing for loyalty to the Congress Ministries, continues to recommend more radical policies than the Ministers are at present prepared to endorse.

The plea that the Congress Ministries should be immune from criticism is not everywhere accepted. The lack of substantial Oppositions in the provinces where the Congress has majorities is regarded as a constitutional weakness. The weakness is aggravated by lack of Opposition newspapers, although some of the extremer Nationalist newspapers and such socialist publications as exist do not hesitate to attack the Congress party in office. Such attacks are, however, directed more against the constitution than against the new Governments, as they are based largely on the assertion that Congress in office has virtually replaced the bureaucracy it was intended to supersede. The critics believe, in effect, that the constitution should be more radical than it is and that the Congress party is failing in its functions if it does not attempt to liberalise the constitution along lines which the extremer elements desire. The Congress Ministries are for the most part subjected to no genuine constitutional opposition, their opponents being either split by divisions among themselves or too weak to record disapproval in a manner essential to the working of the democratic theory.

Nevertheless, the Congress Ministries have not sought to override responsible public opinion in any serious degree. Indeed, in some cases they have shown admirable restraint when public opinion has gone ahead of realism. This was shown in connection with the release of "political prisoners". This has been a trying and difficult issue for several Ministries, although the non-Congress Ministry in Bengal has suffered most from public opinion because of its cautious handling of the problem. While the prohibition policy of Madras has been received with much scepticism in some quarters, it appears to be in consonance with the views of the electors in the area to which it is being applied. In Salem, where

the experiment is being tried, reports state that Mr. Rajagopalachariar was received with enthusiasm when he inaugurated a tea bar to supplant a liquor shop. It is thus fairly clear at the present stage that the Congress Ministries are endeavouring to express the theories they have consistently preached, and that public opinion in the main is behind their attempt to do so.

III. A Hopeful Outlook

WHILE the new constitutional situation in the country is not without dangers, there are tendencies that encourage optimism for the future. The chief difficulties surrounding the Congress Ministers are a heritage from the past. The period of transition from irresponsibility to responsibility has been reached; and it is recognised, even in Congress circles, that demands formerly made "to curb the vagaries of an irresponsible Executive will to-day, if pressed, have the effect of restricting the powers of a popular Government to carry out the will of the people". However much the upper hierarchy of the Congress party seeks to control the Ministers, the view is developing that they are primarily responsible to those who elected them. The Congress party undoubtedly derives its support in the country from its character as the focal point for nationalism and as the only organisation that has faithfully fought for the broad principles of political freedom. That campaign is no longer appropriate in the provinces where Congress men themselves now form the Governments. Indeed, several Congress Premiers have clearly announced the need for upholding the fundamental policy of law and order and observance of existing legislative enactments. This is no easy path for a party to follow which in the past has encouraged opposition to constituted authority. But the educational process has begun, and there are indications that it will be deepened and developed.

In the communal field also new theories are emerging. The non-Congress Ministries in the north, particularly those in Bengal and the Punjab, have had to face unexpected opposition from Congress men and the Congress press. In its anxiety to spread the Congress political theory, the Congress party has shown something less than fairness to those holding different views. Efforts to bring Moslems within the Congress fold have been assiduously fostered, although neither in mentality nor in outlook does the Moslem naturally take to the Hindu political philosophy. Congress opposition to the Bengal Ministry does not reflect any genuine appreciation of the majority view; in the Punjab, Sikhs and Hindus have shown a bitterness to the Moslem Ministry that is not warranted.

This attitude has, however, resulted in the clear promulgation of views that communal agitation will not be tolerated, and that newspapers which encourage it will be restrained. Similarly, in Congress-governed provinces the view has been officially expressed that communalism will be opposed by those in authority; granted the support of the press in this attitude, a new orientation may be given to the solution of communal difficulties. There is a growing opinion, shared by many leading Congress men, that communalism is mainly responsible for the defects in the new constitution; and realists are sincerely striving to eradicate the evil in the interests of a genuine nationalism. While the Moslems deny the Congress claim to represent the country as a whole, on every hand is evidence that national progress is stultified until mutual trust is engendered between the various communities.

It is generally thought that the testing time for the new Ministries, and particularly those manned by the Congress, will come when the next budgets are presented early in 1938. The pressure from extremists is certain to disclose itself then, and much will depend upon the way in which the Ministries will respond to it. The new constitution has had the effect of making extremists more extreme.

The Left-wing elements of the Congress party are tending more and more towards communism, which even in the Congress ranks is regarded as a political danger. The socialist theories of Pandit Nehru find no popular support in the organisation he leads, partly because it is financially supported by vested interests. But the peasant movement is developing, and its leaders are primarily socialists. Political extremists and ethical idealists are urging contrasting policies upon the Congress Ministers, and there is a strenuous tussle between conflicting political and economic theories.

While moderate opinion pins its faith to the sobering effects of responsibility, it is recognised that the Ministries have few financial resources. So far as financial assistance from the Government of India is concerned, the prospects are auspicious. The proposals of the Niemeyer Report * are almost certain to be implemented. So long as provincial Governments do not recklessly abandon existing sources of revenue—and there is a tendency to do so—fruitful sources may be tapped from the Centre. But the money supplied by the Centre will prove inadequate if it merely acts as a substitute for revenue discarded in the provinces. This situation has dangers for the future, unless the Ministries are prepared to take a stand against extreme policies which are now being urged upon them.

IV. Prospects of Federation

WHEN the Constitution Act became law, Congress spokesmen contended that the Act was wholly unacceptable to Indian opinion and that the Congress intention was to combat the constitution with a view to ending it. The decision to assume responsibility suggested that the actualities of provincial autonomy had proved too strong to justify the continuance of intransigent policies, and much of the criticism formerly directed against

* See The Round Table, No. 104, September 1936, pp. 807–809.

provincial autonomy has lately been silenced. This is not so in regard to federation. Opposition to the federal aspects of the scheme has been greatly intensified throughout British India. Congress men oppose federation on the ground that affiliation of the Indian states with British India predicates the subservience of the democratic to the autocratic idea; the claim is made that the nominees of the Princes in the federal Legislature will merely reflect an ultra-conservative attitude, which will greatly handicap responsible government.

Moslem opinion is also opposed to federation, though for different reasons. Moslems maintain that the establishment of federation will mean the creation of a Hindu oligarchy at the Centre. Thus scarcely any organised body of opinion favours federation, which the Princes themselves regard with no great enthusiasm as an inevitable consequence of their own original proposal at the first Round Table Conference.

At the same time, the politicians of British India are not opposed to the idea of federation, but only to the form of federation that emerged from the Government of India Act. Mahatma Gandhi, in the agreement negotiated with Lord Halifax in Delhi in 1931, accepted the idea of federation as the political and constitutional goal; even Pandit Nehru has admitted that federation is the ultimate solution. What British Indian politicians would prefer at present is a federation of the provinces, to which the Princes could ultimately accede after they had liberalised and democratised their own governmental systems.

Mr. S. Satyamurthi, a Madras representative in the central Legislative Assembly, contended in a recent speech in that House that there is no "rule of law" in the Indian states and that the states' peoples have no fundamental rights as a prerequisite to popular government. He argued that it was essential that the Princes' representatives in the federation should be elected as representatives of the people, and not as nominees of vested interests.

The diarchy that was being eliminated from the provinces was being perpetuated, he claimed, in more extreme form in the proposed federal Centre. These views are widely endorsed throughout British India, where every effort is being made to prevent the federation from being brought into existence.

It is clear, however, that the British authorities in Delhi and London are endeavouring to expedite the inauguration of federation under the existing Act. Lord Linlithgow, the Viceroy, in a recent address to the central Legislature at Simla, admitted the existence of opposition to federation, but indicated that none of the criticisms now made had been overlooked when the Joint Select Committee, of which he was chairman, considered the whole question in London before the passing of the Act. He accepted the argument that the federation would inevitably consist of disparate units, but emphasised the value of the political and economic unity that would result from its creation. In his view two factors outweighed all others: "first, that the early establishment of a constitutional relationship between the states and British India is of the utmost importance from the point of view of the maintenance of unity in India; and, secondly, that the existence of a central Government capable of formulating policies affecting the interests of the sub-continent as a whole is of direct and immediate relevance to the economic circumstances of the India of to-day". No one disputes the existence of anomalies in the proposed federation; but the political and economic unity of the country, which federation will bring about, in no way hinders the removal of such anomalies in the future. It is clear that normal political evolution will redress many of the grievances which British-Indian politicians allege exist in the Indian states to-day.

The general view is that federation will in due course be inaugurated under the terms of the Act. The inevitability of federation is accepted, both in British India and

in the states. There is great suspicion that the Princes are still seeking to obtain greater privileges than the Act permits them; this is being trenchantly criticised in British India, where the belief is held that the Princes have already safeguarded their rights to the fullest extent. In objecting to association with the Princes in federation the Congress party is emphasising its adherence to the democratic idea. The party claims that the Princes will be a brake on democracy, although it is equally likely that through association with British India the Princes will in time modify their autocratic theories.

V. An Irresponsible Assembly

THE constitutional changes effected on April 1 have greatly altered the political outlook. This was reflected in the recent session of the Legislative Assembly at Simla. The unreality of the Assembly was thrown into sharper silhouette than usual by the fact that provincial Legislatures, wholly elected, were also in session in the plains. The weaknesses of the central Legislature have never before been so clearly disclosed. The Congress party, forming a homogeneous Opposition, frequently defeated the Government without obviously affecting the Government policy. This was in striking contrast to conditions in the provinces, where Congress Ministries were putting their political and economic theories into effect and carrying out policies which, in the past, have found their ablest exponents at the Centre.

No fewer than five Congress Premiers were supplied from the central Assembly, and other Congress men who are now Ministers in their provinces served their apprenticeship at Delhi–Simla. This exodus of talent from the Centre to the provinces greatly weakened the Congress benches, although it scarcely affected the results in the lobbies. Congress men realised their weakness constitutionally, and frequently emphasised with some bitterness

the curious position in which they found themselves—futile representatives of the people in hopeless opposition to an irresponsible Executive.

The case for the early inauguration of federation thus found ample justification in the central Assembly. While it is true that much of Congress opposition derives from political bias, it is equally true that Congress men without responsibility can scarcely be expected to play a legitimate rôle in politics. In dealing with such subjects as defence, Indians overseas, the railways, and policy on the North-West Frontier, the Congress Opposition is naturally unrestrained by the realities underlying these problems. But that they have ideas on all of them is obvious; that their ideas frequently influence policy more than is imagined is not always appreciated.

The Congress party at the Centre is convinced that nothing proposed from its benches affects the Government, with the result that much that is so proposed could not possibly be accepted by a Government acting up to its responsibilities. The fault therefore lies with the system. Whatever weaknesses the proposed federal Legislature may have, it will not be rendered futile by the constant rejection of the majority view. The nominees of the Princes may on occasion prove embarrassing to the elected members, but they will not be able to stem the tide of democratic policy to the extent possible under the existing system. That Congress men in office are alive to their responsibilities is being clearly shown in the provinces; it is a fairly sound assumption that responsibility at the Centre will have a similar sobering influence.

Provincial autonomy has proved conclusively that the existing central Legislature is an anachronism. On several important issues during the past session the Government was defeated, but was under no obligation to resign; nor was it even bound to modify the policies that were condemned. Congress men were ready and willing enough to give realistic consideration to measures in which

they and the Indian people were concerned; such was the case of the Insurance Bill, which was passed. But on matters in which they had no responsibility they fell only too readily into the channel of unconstructive criticism. Serving in a house which normally should be the most important constitutional chamber in the country, they found their views carrying less weight than those of their fellow Congress men in the provinces. The Assembly has itself been shorn of much of its influence over provincial affairs. Thus leaders of the Opposition were in the invidious position of sponsoring causes in which they could achieve no success, while members of the same party in the provinces were carrying out Congress policy in the name of the electors.

This changed position is appreciated in the country, and the demand for the early realisation of federation is almost certain to be developed, if only to enable the Opposition to obtain such power as the new Act concedes. While Congress men would like to see central responsibility granted to British India alone, it is extremely unlikely that the British Parliament will revert to that proposal, at one time considered and discarded. Strong opposition will continue to be engineered against the federation, but the tide of events is almost irresistible. The Princes are awaiting their Instruments of Accession, before giving final consideration to their attitude. Everywhere in India it is anticipated that accession will only be a matter of months. While the Princes still have doubts and hesitations, they recognise that their own political salvation lies, to no small extent, in allying themselves with the forces that have endowed India in recent years with wide opportunities for political expression.

India,
October 23, 1937.

GREAT BRITAIN

I. The Labour Party

POLITICS do not sleep while Parliament is on vacation, but they change their costume. International troubles take no holidays, and it is they, rather than legislative and administrative problems at home, that have chiefly occupied the minds of the public and the front pages of the newspapers in the three months since The Round Table last went to press. Meanwhile, politicians have gathered up their energies, the slower forces of economic change have made themselves politically felt, and the current political sentiments of the country have been sifted through the funnel of the party conferences. Both the Conservative and the Labour parties conferred at the beginning of October, but to the outside observer the Labour meeting was by far the more interesting of the two. The decisions of the Labour conference rank as authoritative expressions of party policy, to be carried out by an executive elected by the conference itself, whereas the Conservative conference merely enables the constituency workers to let off steam, by passing resolutions which the leaders may ignore. A more topical reason is that the Conservative party to-day faces no critical issues either of internal organisation or of public policy, in regard to which it has been for the most part content, since the India controversy was liquidated, to follow with occasional protests in the footsteps of the Government.

It is quite different with the Labour party. Its relation with its own Left wing, and its attitude towards the prime issue of rearmament, have been matters for intense feeling and momentous votes. The movement for a "united

front" from Labour Leftwards had two aspects. On the one hand, it was inspired by a genuine anxiety among the "intellectuals" of Labour, led by Sir Stafford Cripps, to bring together all the forces of the proletariat in a common effort against capitalism, fascism and reaction. On the other, it was at the same time an opportunity for the communists to pursue their objective of infiltrating and eventually dominating the Labour movement, broad-based as it is upon the trade unions. The leading unions, and the majority of the Labour party, seem to have seen it in the more sinister light. The expulsion of the Socialist League (Sir Stafford Cripps' organisation) from the party, and its subsequent dissolution,* were part of a heresy hunt which demonstrated the strength of the Right-wing leaders, but left a good deal of soreness behind it. The "united front" movement, as an attempt to link Labour with the communists and the Independent Labour party (Mr. Maxton's group), was given up, but was replaced by a "unity campaign" within the Labour party itself. Certain leaders of the unity campaign, Sir Stafford Cripps, Professor Laski and Mr. G. R. Strauss, M.P., recently took umbrage at the refusal of the party executive to endorse the candidature of Mr. William Mellor, another "Crippsite", for the parliamentary seat of Stockport. The national executive did not consider, they said, that Mr. Mellor (who had twice stood for Parliament in the Labour interest, and had been for five years editor of the Labour paper, the *Daily Herald*) "would make a suitable candidate on behalf of the party". The three protestors thereupon withdrew their help from the Labour "crusade" to capture new members.

The question of the unity campaign was closely bound up with that of the relations between the trade unions and the constituency Labour parties. The latter are the medium, of course, of the "intelligentsia" of the party, and are therefore the usual mouthpiece of dissent from the unadventurous

* See THE ROUND TABLE, June 1937, No. 107, p. 637.

policies supported by the trade union majority. They had been the chief instrument of the unity campaign, and Sir Stafford Cripps was among their most prominent spokesmen. Even the trade union leaders, however, regarded it as anomalous and frustrating that the most lively element in the party, the element on which directly rested the task of securing a Labour majority in Parliament, should have an utterly subordinate representation in the executive body of the party. It was the executive itself that put to the party conference a motion increasing that representation from five in a body of twenty-three to seven in a body of twenty-five. A second motion gave both to the constituency parties and to the unions the right to elect their own representatives, instead of having each sectional group elected by the whole conference (as the women delegates still are). The latter motion was easily carried, the former only by a small majority which in effect depended upon Mr. Ernest Bevin's union, the Transport and General Workers. Mr. Bevin, whose favour had been carefully cultivated in the debate, compromised by supporting the change but opposing its introduction for a year. The dissentient unions, however, spoilt their own noses to spite Mr. Bevin's face by turning round and voting for immediate adoption of the reform. In consequence the new executive was elected on the revised basis, and the chosen representatives of the constituency parties include Sir Stafford Cripps and Professor Laski. With Major Attlee at its head, and with such men as these, or as Mr. Hugh Dalton, Mr. Philip Noel-Baker, and Mr. Wedgwood Benn, on its executive, the Labour party is much less proletarian in leadership than it is in popular support.

From the point of view of the party majority, the election of Sir Stafford Cripps to the executive was a paternal blessing upon the prodigal son. The previous day he had been obliged to eat husks when his unity campaign suffered an overwhelming defeat at the hands of the conference. The voting against the reference back of the

relevant section of the executive's report was 2,116,000 to 331,000. The minority was little more than half the highest vote recorded by the same forces at last year's conference; hence Labour unity has advanced, not from the end from which it was being proclaimed, but in the opposite direction. Moreover, the voting was not on the lines of trade unions *versus* local parties; for the latter, by a majority of three to one, voted against the unity campaign, which was supported by a number of smaller unions, chiefly those of the black-coated workers. The Labour party has therefore made up its mind: it wants the courage, energy and originality of Sir Stafford Cripps, the political enthusiasm and intellectual ability that find their home in the constituency parties; but with the communists and their erstwhile allies (though now, being tainted with Trotskyism, their enemies), the Independent Labour party, it will have nothing to do. The decision may also be taken as recognising implicitly that a party run by and for the trade unions has little hope of securing that middle-class and rural vote which is essential for the gaining of a majority in Parliament.

Decisive as was the vote against the Left wing, it was not so overwhelming as that in favour of rearmament. Only 228,000 votes—less than 10 per cent. of the whole—were cast against the official policy of support for strong national and imperial defence. The minority included, not only the true pacifists, but also those who bar Labour support for rearmament under a non-socialist Government—along which road, argued Mr. Aneurin Bevan, "is endless retreat, and at the end a voluntary totalitarian State with ourselves erecting the barbed wire". It was not this view that gained the day, but the view expressed by Mr. James Walker, M.P., who summed up for the executive in a speech of almost truculent patriotism. He made it plain that the Labour leaders, like those of other parties, think in terms of the defence, not of Great Britain alone, but of the whole British Commonwealth. Rearmament has become, in the space of two years, a national policy in a

sense that was hardly true even of pre-1914 armament policies. The tiny proportion of pacifists in the Labour movement, in which alone they find a political home, is perhaps sufficient commentary on other events that have caught the eye of foreign countries—the claim of the Peace Pledge Union to have a membership exceeding 100,000, and the election of its late leader, the deeply mourned Canon "Dick" Sheppard, to the honorific Lord Rectorship of Glasgow University. These, too, are significant, but what they signify is, surely, that the mass of British people realise there is no middle course between pure non-resistance and ability to beat the devil of war at his own game. The Labour party has made up its mind decisively, and no longer falls between two stools.

II. The Political Scene

IT is possible that, with its ranks more obviously closed, and its policy on the first issue of the day no longer blurred, Labour will increase its appeal as an alternative Government. The course of by-elections and local elections has been quite encouraging to its cause. At Springburn (Glasgow) the widow of the late Labour member held the seat, on a greatly reduced poll, by much the same proportionate majority as her husband had in 1935. At Islington (London), which had returned a Conservative with a majority of 3,385 at the general election, Dr. Haden Guest won a majority of 1,296 for Labour, again on a far smaller total poll. The municipal elections of November 1 showed a further consolidation of the Labour position. In the provinces, Labour lost 105 seats but won 121, and in Scotland its net gain was 24 seats. It now controls 57 town councils in England and Wales, roughly one-fifth of the total number. But its outstanding success was in London, where it lost only 4 seats while gaining 58, and now controls 17 out of 28 boroughs. On the national, county and municipal scales, London is now

second only to the mining areas as a Labour stronghold.

A number of fascist candidates stood for the borough councils of London and other towns, but were all ignominiously defeated. The fascist movement, though deprived of its picturesque appeal by the law against political uniforms, has managed to keep in the public eye by reason of several incidents. The ban on political marches in the East End of London, on the north side of the Thames, was twice extended by the Commissioner of Police, and in consequence the demonstration planned by the fascists for October 3 was diverted to Bermondsey, south of the river. The change was hardly a success from the point of view of public order. A hostile crowd blocked part of the route, at some points erecting impromptu barricades. The police were obliged to make baton charges, and a leavening of hooliganism caused considerable disorder and the arrest of over a hundred people. It was a discouraging episode for the fascists, but even more so for the peaceable citizens of south London, whose private liberties were sacrificed in order to maintain the principle of political liberty for rival minorities who would destroy it without compunction if they had the power. Even more regrettable was the incident on October 10, when Sir Oswald Mosley was knocked unconscious by a stone when addressing an audience in Liverpool from a loud-speaker van.

Apart from Labour's triumph in London, the provincial municipal elections also showed a tendency for the party to gain in the south what it lost in the north; two of the three big boroughs that have swung to Labour are Bristol and Coventry, both rising industrial towns, south of the Midland coal-border, which have prospered under rearmament. Political as well as social changes may therefore be assumed to be following the shift of industry southward. The Survey of Industrial Development for 1936 showed that of the 551 new factories established in Great Britain during that year no less than 261 were in Greater London, and 25

more in southern and eastern England. To offset the 286 new factories and 92 factory extensions in these areas, 166 closures of factories were recorded. In the rest of England, while 99 factories were extended, 203 were closed against only 235 new factories started. A Royal Commission, under the chairmanship of Sir Montague Barlow, has been set up

> to inquire into the causes which have influenced the present geographical distribution of the industrial population of Great Britain and the probable direction of any change in that distribution in the future; to consider what social, economic, or strategical disadvantages arise from the concentration of industries or of the industrial population in large towns or in particular areas of the country; and to report what remedial measures, if any, should be taken in the national interest.

It is, perhaps, unfortunate that the issue should have been prejudiced for the Commission by the restriction of their enquiry to the *disadvantages* of recent industrial changes.

Nevertheless, while it is easy to think of economic and even social advantages, few people would concede any strategic advantage to the compression of enormous sections of the population into huge towns, the greatest of them in that corner of the country which lies closest to the continent of Europe. The vulnerability of the civil population to air attacks has been causing considerable anxiety, which will not be relaxed until the public are assured that the Government are pressing forward with this side of national defence at least as rapidly and energetically as with other sides. It was, to say the least, depressing to the ordinary citizen, who does not want to be gassed or burnt or blown to pieces, to learn that progress had been delayed by a financial squabble between local and central authorities. Early in November the local authorities rejected the Government's "final" offer, which was to assume complete financial liability for the setting up of a central organisation and the supply of respirators to the whole civil population, of protective clothing to air-raid precaution services, of decontaminating material, and of most

of the other equipment needed by such services; and to bear a varying proportion of other expenditure, including the cost of structural alterations in public buildings, the provision of public refuges, and the recruitment and training of personnel for decontamination, emergency fire-fighting, rescue and repair work. The proportion would range from 60 to 75 per cent., according to the financial capacity of the different authorities, with special adjustment whenever their burden should exceed a penny rate. The local authorities have made it clear that, even though they may protest, they will co-operate once Parliament has decided.

An Air Raids Precaution Bill was the first Government measure to be given a second reading in the new session of Parliament. The King's Speech, delivered by His Majesty in person, foreshadowed a long programme of legislation, including Bills for the unification of coal royalties, for the better distribution of electricity, for stimulating the production and consumption of milk, extending the provision of free meals and medical care for young persons, amending the financial grants for slum clearance, providing better agricultural housing, liberalising the penal laws and accelerating the course of civil justice, for prolonging and amending the film quota system, checking "share-pushing" and regulating conditions of labour in road transport. The Labour amendment to the Address did not deny the need for these measures, but attacked the Government for its "weak and vacillating policy in foreign affairs" and for the "lack of any constructive and fundamental proposals for raising the standard of life of the people or for establishing economic prosperity upon a just and enduring basis".

The chief argument of the Opposition, on the foreign policy issue, was that the Government had betrayed both the legitimate Spanish Government, which stood for democracy over against fascism, and the vital interests of the British Commonwealth by furthering a policy of non-intervention when everyone knew that as far as help to

General Franco was concerned non-intervention was a mockery. Mr. Lloyd George was in fiery form in his attack on the Government's cautious and conciliatory tactics with the dictators. The official spokesmen of the Labour Opposition were careful, in their criticisms of the Government's attitude towards the Far Eastern conflict, to avoid demanding coercive economic or other action against Japan, a policy that is desired only by a minority of the party and appears to be more favourably regarded in Liberal than in Labour quarters. The high-light of the whole debate was the Foreign Secretary's speech on November 1. It was on this occasion that he borrowed Lord Baldwin's phrase, proposed to be "appallingly frank", and amid loud cheers proceeded, apropos of Signor Mussolini's support for the German demand for colonies, to deny "the right of any Government to call upon us for a contribution when there is no evidence to show that that Government are prepared to make any contribution on their own account".

> There is an inclination (he said later) to threaten, to issue orders from the house-tops, to proclaim what is virtually an ultimatum, and to call it peace. Such methods will never have any response here.

These sentiments were in tune with feelings on both sides of the House, but the substance of his speech was hardly tasteful to the Opposition; for it frontally assaulted their argument that non-intervention had been a gift to General Franco. He argued that the non-intervention system, by implying a denial of belligerent rights, had kept open the seas for the side that was navally inferior, that is to say the Valencia Government, and he showed how invaluable that maritime access had been in securing supplies from abroad, including aeroplanes and other munitions. In another memorable passage, defending himself from the charge of throwing over the League in the China crisis, he declared that he would travel not only

from Geneva to Brussels, but from Melbourne to Alaska in order to get the full co-operation on an equal basis of the United States Government in an international conference. It was a frank and courageous speech, which added a cubit to Mr. Eden's parliamentary stature.

III. The Economic Outlook

ON the economic side, the gist of the Opposition's attack was the charge that the Government was failing to provide for and guard against a possible business recession. The Liberal amendment likewise regretted that the King's Speech contained no indication that the Government was taking adequate steps to provide against a possible diminution of employment occurring either on the completion of the process of rearmament or through a period of commercial depression. The Liberals' proposal was to reduce the barriers to world trade, in concert with the Dominions, the United States and other countries; to promote the fuller development of backward regions of the Empire; and to prepare definite plans for the construction of capital works of national importance and the utilisation of national resources at present neglected. Labour accepts these points, and adds—the programme is that voiced by Mr. Bevin at the Trades Union Congress in September—the creation of "an up-to-date credit machine", the formation of a national development fund while we can afford it, and the improvement of the social services, unemployment pay, and pensions. "We only seem to be in full work either when there is a war or when we are preparing for war", said that mogul of trade unionism. "The view seems to be gaining ground that a slump is inevitable. It will be if we leave things to drift on."

The Government's reply is, first, a defence of its actual measures to sustain the economic and social life of the country—the £80 million spent on roads in six years, the slum clearance programme (which now covers over 400,000

houses), the help to agriculture and shipping, the rationalisation of the coal, cotton and electricity industries, and the increased social services, the fuller use of which is being fostered by a national campaign. The second half of the reply is to deny the imminence of a business recession. Industrial production, Mr. Chamberlain told the Conservative conference, still showed an astonishing resilience, and there was no visible sign of the oft-prophesied slump. It is, no doubt, wise for any Government to avoid economic pessimism in public, but the more cautious of the National Government's supporters may feel a certain anxiety at their leaders' tendency to stake their reputation on the indefinite continuance of industrial prosperity.

Although there has yet been no evidence of an actual setback in trade, there have certainly been signs of a lag in the former advance, and of a possible retreat before long, which might, of course, prove only temporary. Unemployment, after falling by over 20,000 in August, rose by 81,000 in the eight weeks ended October 18. The figure is nevertheless still about 166,000 less than a year ago, and the number of insured persons in employment has risen in twelve months by 464,000. The good employment figures have enabled the unemployment insurance fund to put by a surplus of about £60 million, after paying £5 million a year towards the extinction of its outstanding debt. The existence of reserves like this has contributed much to the maintenance of cheap money, and is some comfort to those who fear a strain upon the financial and fiscal system if and when trade recedes. The unemployment insurance statutory committee has expressed the view that some £30 million of any surplus accumulated by the fund in fat years should be kept as a reserve to enable benefits to be maintained over the lean years. The disposal of the remainder may cause bitter controversy. The Treasury is naturally inclined to favour either a reduction of the outstanding debt or the extension of the numbers of the unemployed who receive insurance benefits as of right,

instead of government-provided allowances under the means test. Labour, equally naturally, presses for higher benefits.

The rising cost of living has already caused an agitation in favour of higher benefits and allowances. The only concession so far announced is that the unemployment assistance board, having taken into consideration the change in the price of commodities and the approach of winter, has instructed its officers to deal with any cases of hardship arising from these circumstances. There is clearly much in the Labour plea that all alike are faced by dearer food and wintry weather, and that the concession, once admitted as necessary in some cases, should be made universal. The food component in the Ministry of Labour's cost-of-living index, which was 83·1 (base, 1929) in September 1936, had risen to 92·9 in September of this year.

This rise in living costs has been accompanied, though probably not equalled, by increases in wages. The most striking of these was the restoration of the remaining fraction of the cuts imposed on railwaymen in 1931. A minimum basic rate of 40s. a week was granted by the tribunal, which rejected, however, the claims for a 50s. minimum, a fortnight's holiday with pay (instead of a week) for drivers and firemen, and a 36-hour week for railway clerks. The award was accepted by both sides, though not without grumbling on the part of the unions. The companies have obtained, as an offset, an increase of all fares outside the London suburban area by 5 per cent.

It is the combination of rising costs with falling world prices that causes a certain amount of anxiety about the economic future. In some ways (including the height of taxation) a depression would find the economic structure less able to withstand attack than it was in 1929. In others, however, it is better prepared, and in no respect more so than in our greater understanding, born of experience, of the causes and symptoms of economic disorder and the means to set it right.

CANADA

I. Canada and North American Labour Trends

FEW questions have attracted greater attention in Canada in recent months than that of the relations between employers and employees. A series of events has brought it to the fore: evidence given to the so-called Price Spreads Commission * of the existence of unduly low wages in certain major industries, the Privy Council decision † against the constitutional right of the Dominion to pass maximum hours, minimum wages and unemployment insurance legislation, the epidemic of industrial disputes following the more rapid rise since 1934 of prices than of wages, and last but not least the repercussions of the industrial unrest in the United States.

Up to the present, Canada has enjoyed comparative immunity from major industrial troubles. While the beginnings of the country's industrial development go back to Confederation (in 1867) and beyond, up to the turn of the century the great majority of the plants were small, the employers were close to their employees, and the maintenance of acceptable conditions of employment presented no great difficulty. Moreover, labour was for the most part markedly mobile, and if conditions were not satisfactory in one employment it was usually possible to shift to another. The only important industries in which any serious attempt was made to organise trade unions were transportation and building. Since 1900 there has, of course, been a substantial development of large industries, but even to-day the percentage of small

* See The Round Table, No. 99, June 1935, p. 589.

† See The Round Table, No. 108, September 1937, p. 755.

firms whose labour relations may be said to be on a personal basis is strikingly high. Thus of the 3,500 members of the Canadian Manufacturers' Association, representing some 80 per cent. of the country's total secondary production, 72 per cent. employ fewer than 60 persons, and 83 per cent. employ fewer than 100 persons.

During the last thirty years there has been a steady, if slow, growth of trade union organisation. The membership of the various classes of organised labour bodies increased from some 130,100 in 1906, to 322,400 in 1936, the "peak" being 378,000 in 1919. Of the 1936 total, 174,000 belong to international unions (that is, unions having their headquarters in the United States), 83,000 to purely Canadian federations, 45,000 to the National Catholic unions of the province of Quebec, and 19,000 to various independent organisations. The entire trade union membership would not exceed 10 per cent. of the total number of persons gainfully employed. It will be observed that the chief strength of Canadian trade unionism centres in the so-called international unions, which operate chiefly in the transportation, building, printing, coal-mining and pulp and paper industries. From time to time attempts have been made to break down the international type of organisation and to set up a purely Canadian body, but the obvious advantages of internationalism in the way of greater financial and bargaining strength have always enabled it successfully to withstand the attack.

Canadian employers concede the right of employees to join any lawful union, but deny the right of those who wish to join to coerce those who do not, and also deny any obligation on their part to deal with anyone except their own employees. Generally speaking, employers do not concern themselves as to whether their employees are trade union members or not. In recent years various types of employee representation plans, sometimes known as "company unions," have been instituted in the larger industries, but in the smaller establishments not even this

kind of organisation has been demanded or, apparently, needed. At all events, employer-employee relations have been regulated with comparative freedom from serious conflict and disturbance. It is only too true that extremely low wage conditions have from time to time been brought to light; nevertheless, the right of labour to a decent living wage is generally recognised by employers, as part of the democratic tradition of the country. Thus there is much more reluctance than in some other countries to reduce wages immediately profits shrink. The growing tendency has been first to exhaust every possible means of increasing efficiency. This tendency has, moreover, been accentuated by the North American doctrine, so vigorously preached by Mr. Henry Ford, that it is in the interests of employers to pay the highest possible wages in order to provide their employees with the highest possible purchasing power.

Another contributing cause of the freedom from serious industrial trouble in Canada has no doubt been the arbitration and conciliation legislation that has been enacted in the last thirty years. Chief among these measures is the Dominion Industrial Disputes Investigation Act, better known as the Lemieux Act, under which, since 1907, strikes and lockouts have been prohibited in transportation, mining and public utilities, pending an investigation and report by a board of conciliation representative of both sides, with an independent chairman. In only 39 cases, out of the 866 applications for boards that have been made since the inception of the Act, was the threatened stoppage not averted, or the strike that had been entered upon not ended, as a result of board procedure. The reasoning behind this type of measure is, of course, that it is not merely the right but the duty of the state to forbid strikes or lockouts in great public services in which a stoppage of work causes direct loss and injury to large sections of the public; and there is a move to extend the same principles to the larger industries.

Another factor is the legislative trend of recent years towards so-called industrial standards measures, which provide for the enforcement on a whole industry of wages and hours agreed upon by a representative number of employers and employees engaged in it. By way of supplementing these measures, Acts have been passed setting up tribunals to fix minimum or fair wages in industries that do not negotiate agreements under the industrial standards enactments. It seems likely that the industrial standards laws will tend to encourage, and the minimum and fair wages laws tend to discourage, unionisation.

Three different methods of regulating employer–employee relations are, in effect, competing with each other today. The labour unions are making a strong drive for increased unionisation; the politicians are experimenting with legislation; and many employers are exploring more energetically than in the past the possibilities of co-operation between the employees and the management of individual establishments. With which of these methods or with what combination of them the future lies it is, of course, impossible to say, but it is obvious that the purely industrial question must be considered not by itself but as bound up with the future social and political development of the working class. This brings us to a consideration of the remarkable and, some would say, revolutionary events that have recently taken place in the United States in the field of labour. For North America, though divided politically, is largely one industrially. Canadian trade unionism and working class movements generally have always been strongly influenced, directly and indirectly, by American developments. The key to what is likely to happen in Canada must therefore be sought, in part at least, in the United States.

American labour started with the "ideology" of the Declaration of Independence in 1776. Intended as a justification of a political revolution, the Declaration was worded as an expression of faith in a social revolution.

The doctrine that all men are born free and equal seemed, to the pioneer American farmer, to have grown directly out of experience. So it appeared, two or three generations later, to the young workmen when they, for the first time, achieved political consciousness. It was from a combination of the principles of individual rights, individual self-determination, equality of opportunity and political equality, expressed or implied in the Declaration, that the first and most persistent American labour philosophy derived. Labour read into the Declaration of Independence a condemnation of the wage system as a permanent economic dispensation; sooner or later, in place of the wage system, there was to come "self-employment". Just as no true American could take orders from a king, so he could not consent for ever to remain under the orders of a "boss". This social ideal played a part only second to that of the changing economic environment in moulding the American labour programme. It supplied, for example, the driving force behind the demand in the 'thirties for a "republican" system of education; a political and social democracy must, it was realised, be based on an educated and intelligent working class. In the 'forties, the labour programme centred on economic democracy, on equality of economic opportunity. This took the form of a demand for a grant of public land, free of charge, to everyone willing to brave the rigours of pioneer life. The Government, it was urged, should open to the worker an escape from the wage system into self-employment by way of free land. The same cry was taken up by the western states, eager for more settlers to build up their communities, and the Homestead Law of 1862 was passed. The hopes that a republican system of education and free land would substitute self-employment for the wage system were, however, falsified. The United States was already, in the 'sixties, becoming an industrial country, and it became apparent that neither the industrial worker nor the farmer would realise the ideal of self-employment and equal opportunity without capital. This was the

origin of the movement known as "Greenbackism", which for nearly twenty years had the enthusiastic support of the overwhelming majority of the industrial worker and farmer class. The bizarre inflationary scheme of converting the Civil War Debt bonds into legal tender, while nominally a programme of currency reform, was, in reality, an attempt to take away from bankers and middlemen their control over credit, and, by furnishing credit and capital to the producers of physical products, to make possible a real system of self-employment. In other words, it was an attempt to establish industrial democracy.

It soon became clear, however, that the working man could not expect to attain self-employment as an individual, but that it had to be sought, if at all, on the basis of producers' co-operation. This was the purpose of the Knights of Labor, an organisation which was founded as early as 1869 but did not become influential until the middle 'seventies. Its purpose was nothing less than "to lead the American wage-earning class out of the bondage of the wage system into the Canaan of self-employment". Similar to the Rochdale system of England, in that it proposed to start with an organisation of consumers, it departed radically from its English prototype in that it aimed, not primarily at saving money for the consumer, but at creating a market for the productive establishments that were to follow. Consumers' co-operation was to be but a stepping stone to producers' self-employment.

Nor was the movement purely economic. Realising only too well that neither the Republican nor the Democratic party would voluntarily make an issue of a scheme for assisting the wage-earner to become an independent producer, the leaders turned to political action and sought to create an independent labour party. The National Labor and Reform party of 1872, the National Labor Congress of 1876, and the Greenback-Labor party of 1878 all had as their aim, in one form or another, the achieving of social and economic reforms by political means. The

movement reached its culmination at the time of the great strikes of 1877, which by their wide extent and violent character impressed contemporaries as being nothing short of social revolution. In the Congressional election of 1878 the Greenback-Labor party polled a vote of a million, and fourteen Representatives were sent to Congress. But a change for the better in the industrial situation cut the ground from under the movement's feet, and the redemption of greenbacks in gold in January 1879, together with the very great increase in the volume of the currency which took place at that time, made greenbackism on its financial side a dead issue. The common grievances that had brought farmer and wage-earner together largely disappeared with the lifting of the long depression of the 'seventies, and the project of an independent working class party was abandoned.

This episode was followed by a pronounced swing to militant trade unionism, with the limited objective of increasing the bargaining power of the wage-earner and using it to obtain a better price for his labour. The new leaders, Strasser and Gompers, consciously adopted the British unions as their pattern, and turned their back on the "native" American trade unionism, which still hankered after self-employment and producers' co-operation. If its philosophy of pure wage-consciousness was narrow, the new unionism's concept of labour solidarity was narrower still, being virtually limited to the loose federation of autonomous craft unions of skilled workers. Whereas the Knights of Labor held that the bargaining strength of the skilled craftsman should be used as a lever to raise the status of the semi-skilled and unskilled worker, the leaders of the new unionism accepted and built upon the group selfishness of the craftsmen, caring little for the lesser breeds without the crafts, whom, they considered, experience had shown to be undesirable allies. On the other hand, the autonomous craft unions showed that they could win strikes where the centralised, promiscuous Noble Order of the Knights of

Labor merely floundered and suffered defeat after defeat. With the failure of the great Knights of Labor strikes in 1886 and 1887, the struggle between the two rival programmes and methods of organisation was virtually decided in favour of the close-knit, autonomous craft union. Given the absence of working-class homogeneity and solidarity, and given the traditional individualism of the American, the limited-objective, non-political unionism was the only form of organisation that could produce results.

Whether conditions have changed sufficiently in the last forty years to make possible and desirable today what was found impossible in the 'nineties and has never really been tried since, is the question that is sharply dividing American labour at the present time. Undoubtedly great changes have taken place. With the marked expansion of mass-production industries there has been an enormous increase in the numbers of semi-skilled and unskilled workers who are not eligible for admission to the craft unions. While the latter, during the war, accepted large numbers of unskilled workers, the period 1921 to 1933 was marked by a serious decline in membership, and by 1933 the American Federation of Labor numbered fewer adherents than at any time since 1916. The National Recovery Act of 1933, with its guarantee of the right of the workers to bargain collectively, seemed to foreshadow a revolutionary increase in the strength of trade unionism; Mr. William Green, President of the Federation, spoke of enrolling 25 million workers. But the guarantee proved a broken reed, and it looked as though the old conservative craft-union organisation was incapable of taking advantage of conditions that were more favourable to labour than they had been for a generation.

So, at least, it seemed to Mr. John Lewis, head of the powerful Mine Workers Union. After failing to persuade the Federation to change its ways, he launched his Committee for Industrial Organization, based on the industrial, as distinguished from the craft, union. The semi-skilled

and unskilled were to be enrolled, as well as the skilled. Great progress was made during 1936, principally in the steel, rubber and automobile mass-production industries, and to-day the C.I.O. boasts a membership of more than 4½ millions, slightly higher than that of the Federation. Moreover, Mr. Lewis, departing from the traditional Federation policy, openly turned to political action. He made no secret of the fact that he had "delivered" the labour vote to Mr. Roosevelt at the presidential election of 1936, and expected to receive his *quid pro quo*. How the movement will develop it is impossible to conjecture; but the fact that discussions looking to reconciliation are now in progress between the C.I.O. and the Federation suggests that it is too soon to conclude that a social and economic revolution is in sight.

What of the repercussions of these American developments on Canadian labour? The "ideological" conflict between craft and industrial union means little in Canada, where both types of union have existed side by side for years; and Canadian labour leaders are endeavouring to compose the differences between the two contending camps in the United States. When, however, the C.I.O. "sit-down strike" technique seemed likely to be introduced into Canada in connection with the unionisation of the Canadian branch of General Motors, Canadian labour leaders were scarcely less emphatic than the Minister of Justice and the Premier of Ontario in condemning it. A number of industrial plants have indeed been unionised by the C.I.O., and the movement is likely to continue, but it is doubtful if it will assume anything comparable with its American proportions.

It is not merely that Canada has proportionately fewer mass-production industries; the gulf between skilled and unskilled, which is such an important factor in the United States, does not exist in Canada. In the United States the skilled workmen are for the most part of English-speaking origin and are well-paid, while the unskilled are

largely of foreign origin and are comparatively ill-paid. In Canada, there is no such line of demarcation either of blood or of pay; there is a large foreign population, but only a small part of it is employed in industry. Hence the enormous industrial proletariat, which offers a favourable soil for the growth of revolutionary ideas, and which makes conceivable the rise in the United States of a working-class political party, has no real counterpart in Canada. In spite of the substantial increase in the numbers of the industrial workers, there is no sign of the creation of a class-consciousness sufficiently strong to form the basis of an independent working-class party. Working men of ability and character can, and do, "climb up the ladder", and it is no accident that most trade union leaders in Canada are not Canadian-born.

In both countries it has great significance that the political party system is older than the formation of modern economic classes. Each of the old parties represents, at least in theory, the entire American or Canadian community regardless of class; and the working man is generally just as much attached to the old party label as is the average employer or professional man. Never until the last presidential election was it possible to "deliver the labour vote" in the United States, and judging from recent Canadian elections it is still impossible in Canada. The industrial labour class is relatively much smaller than in the United States—the population is still fifty per cent. rural, as compared with twenty-five per cent. in the United States—and there is as little sign as ever of joint political action by farmers and labour. Even if the American labour movement gave a lead towards class-conscious political solidarity, the Canadian movement would follow, if at all, *longo intervallo*. But no such development seems probable. Despite the undoubted existence of a considerable socialistic element in the C.I.O., the objective still appears to be the limited one of securing better conditions within the existing economic and political

system. And if this is true of the American, it is doubly true of the Canadian, movement, which in recent elections has turned a deaf ear to the socialistic programmes of the League for Social Reconstruction and the Co-operative Commonwealth Federation. If reasonable progress is made in mending the capitalist system, there seems little likelihood, in either half of the continent, that the working class will seek to end it.

II. Politics in Alberta

THE political scene in Alberta has again been agitated. In a special session of the legislature, from August 3 to August 6, laws were enacted purporting to place the banks in the province under the control of the provincial Government. One Act barred access to the courts to test the validity of any enactment of the legislature of Alberta. Within a fortnight, these Acts had been disallowed by the federal Government at Ottawa. From the platforms of Social Credit it was immediately proclaimed that the Government of Canada had joined "the financial interests" in frustrating "the will of the people"; from all other platforms it was protested that a lawless provincial legislature was challenging the constitution of Canada. In a later special session, from September 24 to October 5, further controversial Bills and resolutions were hastily accepted by the Social Credit majority. At the prorogation, three Bills were reserved by the Lieutenant-Governor for the assent of the Governor-General in Council. The effect of legislation restricting civil liberties and ignoring the constitutional law of Canada has been to rouse a vigorous opposition to Mr. Aberhart's Government.

The legislation of August marked another false start toward the fulfilment of the promise of monthly dividends. The chartered banks, rather than provincial credit-houses, were now to be the instruments of Social Credit. The strategic plan for the recent legislation has been attributed

to Major Douglas, acting through representatives in Alberta. Their presence in the province may be explained by events earlier in the year. In April, toward the close of the regular session of the legislature, a feud developed within the ranks of the Social Credit party. Private members, who were impatient with the delay in carrying out the party policy, revolted against their leader and refused to pass the budget. In order to placate the insurgents, Mr. Aberhart consented to set up a Social Credit Board of five private members to make recommendations for legislative action. Any member of the Board might visit any part of the world to procure technical experts. The Chairman, Mr. G. L. MacLachlan, promptly left for London. There relations with Major Douglas were restored. In June, two of his lieutenants, Mr. G. F. Powell and Mr. L. D. Byrne, arrived in Edmonton to advise the Government. They won the allegiance of the party caucus; on August 3, fifty Social Credit members signed a secret pledge, since revealed in the press, "to uphold the Board and its technicians", while they devised means "whereby the will of the people of Alberta shall prevail throughout its institutions of production and distribution". Members promised to vote consistently for the Government while it introduced legislation in accordance with this objective. Naturally, the Opposition has denounced "the absentee Government of Fig-Tree Court", which is alleged to direct the motions of mere automatons in the legislature.

The disallowed Acts were three—"An Act to provide for the Regulation of the Monetisation of the Credit of the Province", "An Act to provide for the Restriction of the Civil Rights of Certain Persons", and "An Act to Amend the Judicature Act". The first Act required the licensing of all bankers by a "Provincial Credit Commission"; it also set up local directorates, with majorities appointed by the Social Credit Board, to control the business of banking. Under the second Act, "any person who is an employee of a banker and who is required to be licensed

. . . shall not while unlicensed . . . be capable of bringing or defending any action in any Court of Civil Jurisdiction in the province which has for its object the enforcement of any claim either in law or equity". The third Act inserted in the Judicature Act of the province the following proviso : "No action or proceeding of any nature whatsoever concerning the constitutional validity of any enactment of the Legislature of the Province shall be commenced, maintained, continued or defended until permission to bring or maintain or continue or defend such action has first been given by the Lieutenant-Governor in Council".

The identical preambles to the first two Acts suggest that the framers of the legislation expected its constitutional validity to be questioned. The preambles attempted to compress the legislation within the property-and-civil-rights clause of section 92 * of the British North America Act. They declared that "the extent to which property and civil rights . . . may be enjoyed depends upon the principles governing the monetisation of credit and the means whereby such credit is made available to the province and to the people of the province", and that "it is expedient that the business of banking shall be controlled with the object of attaining for the people of Alberta the full enjoyment of property and civil rights in the province". Section 91 of the B.N.A. Act, on the other hand, places banking within the exclusive legislative authority of the Parliament of Canada. In his report recommending disallowance, the Minister of Justice said :

> These Statutes were apparently enacted upon the assumption that the authority of the provincial legislature to legislate in relation to property and civil rights in the province is unrestricted by the terms of the British North America Act. This is not the case. Under the constitution of Canada, the provincial legislatures are empowered to legislate in relation to property and civil rights only to the extent that the power to legislate in relation to this subject matter has not been assigned to the Parliament of Canada.

* This section recites the exclusive powers of provincial legislatures.

This was also the view of the Attorney-General of Alberta, whose opinion concerning the constitutional invalidity of the legislation had led to his dismissal.

The Alberta legislation was received in Ottawa on August 10. The Prime Minister of Canada promptly proposed to Mr. Aberhart that the Acts be referred to the supreme Court of Canada, and meanwhile that the Government of Alberta should take no steps towards their enforcement. On August 16, Mr. Aberhart rejected Mr. King's proposal. The next day, the federal Government disallowed the three Acts.

To the federal power of disallowance there has been no resort for thirteen years. Federal Governments have preferred to leave the question of constitutional validity to the courts. The prevailing practice and the reasons for the present exception were thus stated in Mr. Lapointe's recommendation for disallowance:

> While no project or policy of a provincial legislature should be interfered with by exercise of the power of disallowance merely on the ground that measures to promote such project or policy are of doubtful constitutional validity, a distinction is to be made where the legislature deliberately attempts to interfere with the operation of Dominion laws and to substitute laws and institutions of its own for those legitimately enacted and organised by Parliament; and this is particularly true where the legislature has denied recourse to the courts of justice.

The Prime Minister also stressed the importance of the refusal of access to the courts:

> That kind of remedy is denied since the citizen, according to Mr. Aberhart's reply, cannot get access to the courts unless it suits the policy or discretion of his Government to permit such access, and only after compliance with requirements which are *prima facie* beyond the competence of the province to enact. To take away the right of any citizen of Canada to appeal to the courts of the land against the exercise of arbitrary power is opposed to the whole spirit of our institutions.

Meanwhile Major Douglas had congratulated Mr. Aberhart. His wire read:

> Great work. Rush appointments bank directors. Pass Press Act.

Mr. Aberhart chose to challenge the disallowance. On August 26, in a long letter to Mr. King, which was rather an appeal to the rural constituencies than a reasoned criticism of the action of the federal Government, he stated that

> while awaiting the outcome of any negotiations that might be entered into, we must in the meantime proceed most rapidly to end poverty and starvation in this province. In order to accomplish this, we are going to implement immediately the legislation passed at our last session and which you purported to disallow. . . . We have gone fully into the matter of disallowance and find that you have now not such powers.

The argument is that the declaration of the Imperial Conference of 1931, that the King on the advice of his British Ministers shall not exercise the prerogative of disallowance over Dominion legislation, extends also to the federal power of disallowance of provincial legislation in Canada. It has been repeated in more dangerous form by some of Mr. Aberhart's followers: " since the Statute of Westminster, the province is a sovereign State ". The challenge, however, was one of words until the eve of the September session. In the interval between sessions, the Government took no important action except to proclaim a new moratorium to prevent the payment of debts to banks and to insurance and mortgage companies. " Purchasing power " was to be kept within the province. On September 22, an order-in-council forbade clerks of the court, without the consent of the Lieutenant-Governor in Council, to enter any proceeding that sought to challenge the validity of any Act of the provincial legislature.

From the session of September 24 to October 5, many Bills and resolutions emerged. One resolution denied the federal power of disallowance and expressed the intention to implement the disallowed legislation, but approved the intention of the Government to refer the question of disallowance to the courts—an unconvincing gesture, since there is no doubt about the federal power of disallowance. The Act of August for " the Regulation of the Monetisation of the Credit of the Province " was virtually re-enacted

with changes in the preamble and without the requirement of licences for bank employees. The other two disallowed Acts did not reappear. Another Bill provided for the registration and licensing of all persons engaged or employed in any business. A single Minister might refuse a licence if he considered it in the public interest to do so. The Bill was greeted outside the legislature by a howl of protest against "dictatorship", and amendments at the end of the session greatly reduced the list of occupations to which the measure is to be applied. A Bill "to ensure the Publication of Accurate News and Information"—the Press Act referred to by Major Douglas—roused far-flung protest. It required newspapers to publish any statement provided by the chairman of the Social Credit Board concerning the policies of the Government. The statement was not to exceed one page in a daily paper or one-tenth of the space in any other paper. Any newspaper might be required to disclose to the Government the source of any published information. As penalty for contravention of the Act, the publication of anything written by a specified person might be forbidden and the newspaper might be suspended. There were also heavy money penalties.

Another Bill increased the taxation of the banks from approximately $230,000 a year to an estimate of $2,000,000. According to Social Credit members, taxation really costs the banks nothing, since they create credit with the stroke of a pen. Nevertheless, they rejected a resolution to apply for a Dominion charter to create a provincial bank. A further Bill repealed an early law of the Aberhart régime authorising the recall of a member on a petition from two-thirds of the electors in any constituency. The Recall Act had been thought unworkable, but it had recently been invoked with possibility of success in Mr. Aberhart's own constituency. The retroactive repeal confirmed the taunt of the Opposition that the present Government observes none of the rules of the political game. The legislature also resolved to give notice to end the agreement of 1932

with the federal Government whereby the Royal Canadian Mounted Police assumed the duties of the previous provincial police. A further resolution decided that no representations on behalf of the Goverment of Alberta be made to the Royal Commission on federal–provincial relations. Mr. Aberhart had already objected to the personnel and terms of reference of the Commission.

To the new Alberta Credit Regulation Bill, to the Taxation of Banks Bill, and to the Bill to ensure the Publication of Accurate News and Information, the royal assent was reserved at the end of the session.

The proceedings in the two special sessions have sharply accentuated the conflicts of opinion in Alberta. Social Credit supporters depict the battle as one between financial interests and an oppressed people. They evade, whenever possible, the constitutional issues. Although remote voices have been heard to utter the word " secession ", the leaders repudiate any such intention.

The Opposition emphasises the conflict between the federal and provincial Governments. Whether the way to social improvement lies through a policy of Social Credit or not, it demands that advance be made only by constitutional means. It resents the methods of dictatorship; it abhors the lawlessness of the majority of the provincial lawmakers, and demands respect for the constitution of Canada. It deplores the secret pledges and the domination of alien " experts ".

The Opposition has become much more articulate. Great mass meetings have been held in the cities. Mr. Aberhart's is no longer the only political voice regularly heard on the radio. Among the rank and file of citizens there is a strong demand that the old-line parties unite their forces in order to enable the province to return to " sanity ". How far the politicians are meeting this popular demand is still a bit of a mystery. There was united support for Mr. E. L. Gray, the new Liberal leader, in the Edmonton by-election of October 7. Although there was no Government candidate,

the by-election was regarded as a successful demonstration against Social Credit.

If assent is refused to the three reserved Bills, Alberta may expect further special sessions or perhaps a general election. The probable outcome of an election is a matter of debate. It is generally believed that, in the urban centres, no substantial body of opinion retains respect for the Aberhart Government. The situation in rural Alberta, which commands the majority of seats, is more obscure. Although Alberta is by no means in the sad condition of drought-ridden Saskatchewan, there are still drought areas, farmers with heavy debts, and a large number of people on relief. It is not unnatural that many of the distressed should still regard an Aberhartian miracle as their only hope. Moreover, through the broadcasts of the Prophetic Bible Institute, Mr. Aberhart has built up a loyal, religious fraternity. The effects of his teaching that economic distress is the work of personal Satans dramatised as " big-shots " or bankers are not quickly dispelled. There are many who still look to the dividend to pay the mortgage; others, who have lost faith in the promises of 1935, still cherish the illusion that Mr. Aberhart has governed well.

Canada,
October 1937.

AUSTRALIA

I. National Insurance

EARLY in August the Commonwealth Government received a report on National Unemployment Insurance from Mr. G. H. Ince, chief insurance officer of the British Ministry of Labour, but so far nothing has been done. Mr. Ince suggested three methods of financing the scheme, none of which proved acceptable to the Federal Government, who, however, put forward a scheme of their own very similar to the second of Mr. Ince's suggestions. It embodies equal contributions from employees and employers on a flat rate, and a contribution from the Australian governments amounting to some £2,000,000 per annum. In addition, the various governments would have to subscribe as employers of labour. The benefits would be uniform throughout Australia.

It was to be expected that the views of the states should vary because of their differing unemployment problems and the provisions they already make for unemployment relief. South Australia and Western Australia were in favour of the first of Mr. Ince's proposals—that the matter should be one entirely for the Commonwealth, except in so far as the state governments made contributions as employers of labour. Queensland already has an unemployment insurance scheme operating, and sees no reason why it should be changed. New South Wales and Victoria seem likely to accept any reasonable scheme that will relieve the state finances from any part of the burden of unemployment relief.

Considerable opposition was aroused, principally among employees. The Labour Council of New South Wales,

for example, cannot bring itself to agree to the extraction of contributions from employees. But the chief obstacle to the adoption of any scheme seems to be the difficulty of securing the support of the various state governments, without which it cannot hope to succeed.

The Federal Government also received in August a report from Sir Walter Kinnear, controller of the insurance department of the British Ministry of Health, regarding a compulsory national health, widows', orphans' and old age pensions scheme. Here again the scheme was to be established on a contributory basis, with contributions from all employees over 16 years of age, and an equal contribution from their employers. In addition, heavy annual subsidies, amounting to about £11,000,000 by 1977, would be required from the Commonwealth Government. The benefits suggested would cover medical attention, sickness and disablement benefit and pensions for widows and orphans and for old age. This report was somewhat overshadowed by the report on unemployment insurance, and discussion regarding the desirability of national social insurance has not been as general as the importance of the subject would seem to warrant.

II. The Report of the Banking Commission

THE Royal Commission appointed to inquire into the Australian monetary and banking system reported in July. Controversy has largely centred round the view expressed in Chapter VI (par. 530) of the report that where there is a conflict between the Government and the Board of the Commonwealth Bank regarding "what is best in the national interest", it should be the duty of the Bank to carry out the policy of the Government. The Commission was of opinion that "full and frank discussion" between the Board and the Government would "in most cases . . . ensure agreement on a policy to be carried out by the Bank which it can reconcile with its duty to the community, and

which has the approval of the Government". Failing such an agreement the Government should "give the Bank an assurance that it accepts full responsibility for the proposed policy, and is in a position to take, and will take, any action necessary to implement it".

The Commission made perfectly clear their view that this was not to be taken to mean that the Government should interfere in the administration of the Bank. But holding, as they did, the view that "the Federal Parliament is ultimately responsible for monetary policy, and the Government of the day is the executive of the Parliament", the majority of the Commissioners were bound to conclude that in a dispute involving the national interest the Government must prevail.

Critics have argued that the Commission were in error in stating that the "Government of the day is the executive of the Parliament". To these critics, the recommendation of the Commission involves abrogating the constitutional powers of Parliament and vesting them in the Government. They contend that the Government should be compelled to submit for the approval of Parliament any proposals involving fundamental changes of financial policy, since, whatever its majority in the House of Representatives, it might find difficulty in convincing the Senate. On the other hand, supporters of the Commission's view have argued that the Government has, in fact, during recent years, decided important economic issues and monetary policy without reference to Parliament, and that Parliament has acquiesced.

The recommendation of the Commission that the Commonwealth Bank should not only make greater use of the powers it already possesses, but should also be given even wider powers to control banking and monetary policy, read in conjunction with the constitutional issue discussed above, has also been seized upon as leaving the door open for political interference with private banking. On the other hand, it is contended that the modern tendency for

Parliament to give a quasi-independent status to *ad hoc* bodies threatens the whole structure of democratic government, and that to make the Commonwealth Bank superior to the Government on matters of financial policy would be to take another important step in this direction. To those who argue on these lines, a political dictatorship is preferable to the administrative dictatorship that might follow from permitting the Commonwealth Bank to control the monetary and banking system without reference to the financial policy of the Government.

The Commission approved the general principles of the banking and monetary system of Australia, although it criticised many points of detail. With one dissentient, it recommended against the nationalisation of banking. It made several suggestions regarding the powers and government of the Commonwealth Bank, but these have as yet called forth little comment except from bankers who, in general, "advise caution" and "careful consideration".

III. The Statute of Westminster

TOWARDS the end of August, the Attorney-General introduced into the House of Representatives a Bill "for the adoption of such sections of the Statute of Westminster for which Commonwealth consent is still required". Hitherto Australia has adopted the attitude that the Statute was undesirable because "it reduced to cold legal form a relationship some of the supreme value of which has been its vagueness and elasticity". The preamble to the Statute itself in effect recognised Australia as having the status which the Statute envisaged. In these circumstances the introduction of the Bill has aroused little comment, the Labour party having asked that it be passed as quickly as possible in order to make room for more urgent business.

IV. The Federal Elections

ON October 23 the Lyons Government will face the electors under the handicap of having been in office for six years. The policies of both parties as expressed by the Prime Minister, Mr. Lyons, and the Leader of the Opposition, Mr. Curtin, have three main features—defence, finance and social policy—and it seems generally agreed that of these the main issue will be defence. The differences between the Government and the Labour party on this issue are discussed at length in another article in this number of The Round Table.*

On the financial side, Mr. Curtin has found in the report of the Banking Commission evidence to support his view that, far from being an effective instrument to control the Australian monetary and banking system, the Commonwealth Bank has not made sufficient use of its existing powers in the past, and may need wider powers. Accordingly the Labour party proposes to extend the trading functions of the Bank in order to make it an effective competitor of the private banks, and proposes also to give it a much wider control over credit, interest rates and investment than it already possesses in its capacity as a central bank.

On the other hand, Mr. Lyons regards the Commission's report as a substantial vindication of the existing monetary and banking system; and he therefore promises merely to adopt the recommendation that a mortgage bank be established, as a department of the Commonwealth Bank, to make loans to primary producers and people desirous of building homes; and further to create a department of the Bank to lend money at a low rate of interest to small secondary industries that show promise of development. Any further changes in the banking system must await "careful consideration" of the report by the Government.

Labour's policy on its social side is notable chiefly for

* See above, p. 125.

the fact that it has specifically decided against contributory unemployment and social insurance schemes. In their place Mr. Curtin proposes to set aside £6,000,000 per annum for the relief of unemployment, and additional amounts for the provision of health, widows' and old age pensions. These matters are to be taken out of the hands of the states and vested in the Commonwealth, which is to finance them from heavier taxation of the higher incomes. Every endeavour is to be made to ratify the proposal for a uniform 40-hour week; and Mr. Curtin promises that if he cannot secure the support of the states for his social policy he will approach the people directly through referendums.

Mr. Lyons, on his part, has declared in favour of contributory schemes and has undertaken to introduce them as soon as possible. He promises further investigation into the proposal for the 40-hour week; increased motherhood endowment, with the object of arresting the decline in the birth-rate; a scheme of immigration which will not result in any hardship to Australian workmen; and various other plans for ameliorating the condition of children, the poorer classes at large and the working classes in particular.

Australia,
October 1937.

SOUTH AFRICA

I. The Union, Africa and the Colonial Problem

IN a recent article on South Africa's defence policy,* reference was made to the Union's increasing realisation of its opportunities and obligations as a leader in the affairs of southern Africa. Events in the past three months have emphasised this tendency to look beyond the frontiers and take a wider view of Africa's needs and problems. Two matters in particular deserve mention—Mr. Pirow's "goodwill flight", and recent pronouncements by Union leaders on the German colonial problem.

Time-saving is the essential advantage of flight. In Europe, where distances are relatively small and surface transport by rail or road comparatively quick and easy, air travel is a convenience: in Africa it is almost a necessity. In vast areas of central Africa long-distance surface travel possesses still something of the quality of pioneering and adventure. Such are the natural difficulties of the continent, so sparse and uncertain its communications, that the journey, for example, from Capetown to Khartoum by land and river may run into months, and even by the normal sea and rail route takes nearly four weeks. Air travel reduces the time to five days, and when, before long, night flying becomes the rule the journey will be one of less than three days. The more difficult and undeveloped the surface communications of a territory, the more rapid, in all probability, will be the development of its air services; and as far as long-distance travel and transcontinental communications are concerned Africa seems likely to give the railway era a miss and to link its extremities, not by a Cape-to-Cairo railway, but by

* See The Round Table, No. 107, June 1937, pp. 556–565.

air lines which can serve an immensely greater area in a fraction of the time.

The past year has seen big developments in this direction. The new Imperial Airways flying-boat service to Durban brings Natal within a week's journey of England; South African Airways, which cover the Union and South-West Africa, and have till now operated as far as Lusaka in Northern Rhodesia, have introduced a considerably augmented service connecting the chief centres of the Union, and have lately extended their operations as far as Kisumu in Kenya; and in August Mr. Pirow, Union Minister of Defence, started on what was termed his "goodwill flight" round the neighbouring territories of central and southern Africa. The ultimate object in view is an ambitious scheme for linking up by a network of air services all the territories of central and southern Africa. The development of a circular route embracing the Union, South-West Africa, Angola, the Belgian Congo, Kenya, Tanganyika, the Rhodesias and Nyasaland will, it is hoped, create closer contact and promote trade between the Union and its nearer and further neighbours. The immediate object of Mr. Pirow's tour, which covered the proposed route, was to establish contact and initiate discussion with the governing authorities of the territories concerned and to survey the difficulties and possibilities of the scheme. Obviously, if plans of such wide scope are to be achieved an immense amount of preliminary work is necessary, both in negotiation with other governments and in the elaborate ground organisation required for the smooth functioning of such a service. A subsidiary object of Mr. Pirow's journey was to meet Lieut.-Col. Muirhead, British Parliamentary Under-Secretary for Air, who was visiting Kenya in the course of a tour round Royal Air Force establishments in Africa and the Near East. Mr. Pirow seized the opportunity to discuss with him the working of the new flying-boat service down Africa, and matters requiring co-ordination between Imperial Airways and South African Airways.

The tour, which covered 7,000 miles, was a distinct success. In addition to his technical staff, Mr. Pirow had with him Col. Stallard, leader of the Dominion party, though Dr. Malan thought it wiser to refuse a similar invitation. Mr. Pirow met with an encouraging reception wherever he went, and returned to Pretoria well satisfied. What passed between him and the colonial authorities he met is left discreetly vague, as are also the details of his conversations with Col. Muirhead. The latter, however, on his return to London stated that, although no comprehensive agreement had yet been reached in regard to the future development of air lines on the African continent, he considered that the prospects for the co-ordination of new development were good. Mr. Pirow stated that the proposed circular route was feasible and that in principle all the territories affected welcomed it, and he added that "there is a feeling that, without disturbing existing trade relations to any extent, Africa south of the Equator can be much more self-sufficient than has been the case so far".

More striking than any immediate arrangements is the indication that this tour affords of South Africa's increasing activity and leadership in African development. The Union Government clearly recognise that the peace and prosperity of central and southern Africa demand the political and economic co-operation of all the territories concerned. Air development is a primary means to this end, and in this the Union is able and anxious to take a lead. Secondly, it is hardly possible to suppose that considerations of defence do not enter into the matter. At all times, and particularly with an election pending, Ministers have to beware of admitting any plans for co-operation with British authorities in arrangements that might further imperialist designs. The idea, therefore, that the goodwill flight of the Minister of Defence had any connection with matters of defence is officially discounted; but if, as Mr. Pirow himself has said, the security of the northern territories is a direct concern of the Union, we clearly

cannot afford to wait until attack is imminent to make the necessary preparations for the transport and maintenance of fighting forces beyond our frontiers or to establish understanding with the friends we shall sorely need in such an eventuality. Thus, in spite of denials, we may at least suppose that the Government would think it no positive disadvantage, in a military emergency, if the air routes of central Africa were well charted and well provided with landing-grounds. Our Government may be compelled by political considerations to do good by stealth, but it is not blind to the fact that, imperialist interests apart, our fortunes both in peace and in war are inevitably linked with those of our northern neighbours.

There is, however, one element in the situation which to South Africans is increasingly disturbing, namely, the growing insistence of Germany's colonial demands. Upon the vision of peaceful co-operation in southern Africa under the shelter of a new Monroe doctrine (a phrase that Dr. Malan himself has used), there intrudes the possibility of the re-establishment of German rule in Africa—and to South Africans this means South-West Africa. The Union Government last December made the most categorical statement on the subject, affirming the Union's determination to retain the mandate and the administration of South-West Africa in its own hands.* The statement was welcomed at the time as tending to diminish the possibilities of disaffection in the territory by ending the uncertainty that had fostered it. It is beginning to be realised, however, that such a unilateral declaration does not settle the future beyond dispute—that the destiny of South-West Africa is only part of a bigger problem whose solution may ultimately be found, not in a statement from Pretoria, but in international action. Thus the recent reiterations of German colonial claims have evoked from South African leaders of varying political colour opinions widely divergent.

* See The Round Table, No. 106, March 1937, p. 446.

Of these pronouncements the one that attracted most comment was Mr. Te Water's indiscretion at Montreal, where he was at first reported as expressing himself in favour of an early attempt to settle German colonial claims by round table conference. By adding the qualification, "if it costs the Union none of its security", and stating subsequently that South-West Africa was "quite a different question", the High Commissioner brought himself more or less into line with the views of his own Government. But the alarm caused in England, and the quickness with which Berlin grasped at this straw, impelled a hasty attempt to explain away the sentiments expressed as being only those of a private individual on holiday. Pretoria remained reticent; but the expression of views by a diplomatic representative, whether on duty or on holiday, cannot avoid provoking attention, and the Te Water interview started a spate of discussion in the Union regarding the future of the mandated territory. There is little doubt that South Africans as a whole are behind their Government in regarding control of South-West Africa as essential to Union security, and in rejecting the idea of surrendering once more to Germany the administration of a territory nearly all of whose inhabitants are Union nationals—more than half of them settlers from the Union—a territory, moreover, whose growing prosperity has been fostered by Union loans.

As to the Nationalist view, or views, the question presents Dr. Malan's party in its electioneering campaign with both an opportunity and a dilemma. What better weapon against the Government than to represent the Union as having been duped into conquering South-West Africa "for England", and the present Government as continuing to add fuel to an inflammable international situation by refusing to contemplate any contribution to its appeasement by consideration of German claims? On the other hand, it might be unwise to face the electorate with a policy that proposed to satisfy Germany by the limp

surrender of Union nationals. Some confusion of thought is therefore noticeable in the Nationalist ranks. At the recent Transvaal Nationalist congress, Advocate Strydom, in supporting a motion favouring discussion by European Powers with Germany and Italy with a view to solving the colonial problem, committed himself to the remarkable observation that

> the policy of the Nationalist party is not to give back South-West Africa to Germany, but we say that we will not lift a finger to prevent Germany taking it back if she insists on it.

In other words, the Union will neither serve her own interests by a determined effort to retain South-West Africa, nor endeavour to conciliate a powerful adversary by a graceful surrender of what she does not intend to defend. Flabby thought could not go further.

Dr. Malan, who last session had insisted in Parliament that South-West Africa's destiny lay with the Union, saw the necessity of an attempt to reconcile this startling utterance both with his own previously stated views and with some degree of common-sense. Speaking at Klerksdorp, he said that

> in view of the fact that the majority of the people in South-West come from the Union it would create a new and serious racial problem in South-West if we should return that territory to Germany. . . . We must try to obtain the co-operation of Germany with a view to a friendly solution under which the future of South-West Africa will be vested in the Union. We must, through the League of Nations and by other means, give our moral support to a scheme that will satisfy Germany's colonial needs.

The word "moral" is illuminating. The Union, on this plan, will endeavour to retain the territory by persuading Germany to cut South-West Africa out of her colonial claims, and whilst making a "moral" contribution to this end will leave the material sacrifices to Great Britain and the other colonial Powers.

Pronouncements on this question, whether for the Government or the Opposition side, are interesting as

showing that, as the menace of German colonial ambitions and the possibility that they may involve international complications increase, the Union is beginning to have the uneasy feeling that the future of South-West Africa is not after all a closed question. Either we must be prepared in the last resort to defend our position there, or we must be ready to negotiate about it in common with other holders of mandates and colonies—and any sort of negotiation must imply readiness to consider concession in part or in whole. There are few South Africans who do not wish to retain control of South-West Africa, but there are likewise not many who at present are prepared to face the dilemma of armed resistance or graceful concession. The Union would prefer to adopt, as a basis for discussion with Germany and the colonial Powers, the convenient principle of "heads I win, tails you lose".

II. The Coming General Election

CAMPAIGNING is now afoot for the general election, which is to be held in the earlier part of next year. South Africans, especially in the rural areas, love politics and revel in the turmoil of a general election, which feeds the passion for sensation of a very politically-minded people. They give to politics the same zest as they give to sport, and will follow Ministers in lorry-loads from dorp to dorp, extracting much pleasure from the election of rival chairmen and the moving of motions of no-confidence.

The delimitation of constituencies now in progress is adding considerably to the uncertainties; for as all the provinces have to give up seats to the Transvaal, on account of the phenomenal increase of population on the Rand, there is such a reshuffle that hardly a constituency is left intact, and some have changed beyond recognition. Besides the very great increase in size of the urban areas, the rural areas will also be directly affected, for there the supporters of the respective parties often live in blocks. In

one particular case, where a voting district containing some 338 voters was transferred from one constituency to another, only about 7 belonged to one party and all the rest to its rival. Where majorities are small and personalities count for a good deal, such peculiarities of distribution add considerably to the anxiety of members.

The urban areas are still suffering under the provision in the Act of Union that rural areas may have 15 per cent. fewer voters than the quota, whereas the urban constituencies can have 15 per cent. more. Although the Delimitation Commission is allowing a play of only about 10 per cent. either way, the United party, which finds its stronghold in the urban areas, benefits less than the Opposition by the increase of population. Thus the rural areas will still be the deciding factor.

Although the Government seems assured of a substantial working majority, the Opposition parties have the great advantage that they are fighting a very big party—119 out of a House of 150—which, from its very size, is slow in its movements, and which includes factions of appreciable strength which, on certain points of policy, for instance the Jewish question, are very much in sympathy with the Opposition.

That the Government party is to-day more strongly organised than ever before is evident. It can maintain, moreover, that it has given "bread and butter" to all and has carried out a constructive policy which not even the most vehement Opposition can challenge. In South Africa, however, general elections are not commonly fought on bread-and-butter issues, and the Opposition parties will doubtless build their electoral platform upon topics that have already proved their vote-catching worth—racialism, colour prejudice, Empire relations and high politics in general.

The Dominion party enjoys very limited and localised support. It finds an audience mainly in those who regard themselves as Englishmen in South Africa rather than as

English-speaking South Africans, and its strongholds are limited to those areas, such as Natal and the eastern districts of the Cape, which are predominantly English-speaking. There is little to be expected from the electioneering of the Dominionites except constitutional hair-splitting and the questioning of issues generally regarded as settled. Tactics such as these serve no particular purpose save to inflame the secessionist nationalism of the party at the other extreme. The Nationalists are always ready to regard the expression of any imperial sentiments by the English South Africans as a dark and sinister influence lurking within the ranks of the United party, because the latter includes such a very considerable section of the English.

It is doubtful whether the Dominion party will manage to make any appreciable advance on its present membership of 6 in Parliament. It is armed in the election with issues that are commonly regarded as settled and closed by the passing of the Statute of Westminster and the Status of the Union Act. Nobody today questions the position of Simonstown as a British naval base, except the Nationalists, who would rather have Simonstown ceded to Great Britain than that the Union be called upon to defend it in time of war and thus jeopardise her neutrality. Further, the question of British nationality, although generally regarded as settled by the last Imperial Conference, will be used in an endeavour to rally wavering supporters and gain others.

The Nationalists, on the other hand, have a very much wider appeal; for beside dabbling in sensationalism they are proving themselves astonishingly deft in suiting all tastes. But where there are so many wheels within wheels somebody's coat is bound to be caught, and there are several factors that will militate against them.

The republican ideal has a wide and honest appeal, but it will never become practical politics as long as even the party that professes to propound it hesitates to express itself in its favour in unequivocal terms. The Cape Nationalist leaders have managed to pilot through their congress a

resolution which is more of an apology than a policy. It recognises the right of the people to change their form of government by constitutional means and asserts the conviction that a republican form of government suits best the traditions and aspirations of the South African people. It recognises, however, that a republic can be established only on the broad base of the people's will, and affirms that this constitutional change will not be effected without a special and positive instruction from the people.

Honest republicans feel that their ideal is being shelved, and everywhere their leaders are being pressed to give an undertaking to proclaim a republic as soon as the Nationalist party gets into power, an assurance they flatly refuse to give. More than half of the party executive in the Transvaal have resigned, thus causing a split in the province where the hopes of the party were highest. This attempt to blow hot and cold at the same time is having a dulling effect both in the Transvaal and in the Free State, where Nationalists feel themselves deprived of the keen edge of their faith.

The Nationalists' attempt to secure the support of labour by frontal attack has destroyed whatever chances they had of capturing seats in mining and industrial areas. They unwisely fostered on the Rand a new organisation, "Die Afrikaanse Mynwerkers Bond", in direct opposition to the existing African Mine Workers' Union, the membership of which, as it is, is overwhelmingly Afrikaans-speaking. They have put up the back of labour and have only succeeded in driving it into the Government camp.

But, whereas the United party has not much to fear from republicanism or the Labour party, it seems as if the Opposition will try to stampede the electorate with bogeys of a more ephemeral nature. It is now being preached from all Nationalist platforms that South Africans will have to decide at the coming general election whether they are going to be neutral or not if Great Britain is involved in a war, and that the only way to guarantee neutrality is to turn out the Government. The latter is accused of so involving

itself with Great Britain by tacit understandings and secret undertakings that it is sure to land the Union in a war.

The force of this cry lies in the unsettled state of Europe and the part Great Britain is forced to play in European politics: South Africans would all feel very much relieved if the Empire's centre of gravity could move a little further away from Europe. Even the Premier, in his first speech after the last Imperial Conference, made the following very categorical statement:

> Let South Africa continue her membership of the League but let her never forget that she is not a part of Europe. . . . South Africa's co-operation with Europe, either in peace or in war, is at present a question which South Africa and South Africa alone must decide.

Anti-semitism, too, is looming up on our political horizon, and this election will see an unprecedented use of the Jews as a scapegoat for all the ills of our national life. Up till quite recently anti-Jewish agitation was maintained solely by what everyone regarded as a foreign political importation, the Grey Shirts organisation. But the Nationalists realised the political value of anti-semitism during the provincial council elections held last year, when the S.S. *Stuttgart* arrived during the election campaign with a few hundred German Jewish immigrants aboard. The Nationalist party raised loud anti-semitic cries and reaped a rich harvest. The leader of the Nationalists, who was, until a few years ago, an unequivocal champion of the Jews, has stolen the thunder of the Grey Shirts and is now leading the campaign of anti-semitism, which is proving a most effective move in present conditions in South Africa. The farming community has been driven by scarcity of land and hard times into sending its quota of man-power to the mining and industrial areas, only to find trade and industries in the hands of "foreigners", especially the Jews.

Dr. Malan therefore won applause when he stated at a recent National party congress that the European conflict of communism *versus* fascism had its repercussions in South

Africa. He declared that the Labour party had shifted over to communism, alleging that in Capetown there were no fewer than eleven trade unions consisting almost entirely of natives and coloured workers and led by communistic Jews. The inference to be drawn was that the Jews were organising the rising black tide. It is a measure of the growing anti-Jewish feeling that Jews have been excluded from Nationalist party membership in the Transvaal and Orange Free State.

Finally, colour prejudice has received fresh impetus from the recent native riots at Vereeniging, and Mr. Hofmeyr (Minister of Mines, Education, Labour and Social Welfare), the only perceptibly liberal member of the Government, is being made a target for violent and unscrupulous abuse.

Thus the neutrality issue, anti-semitism and colour prejudice are in the forefront of the political fray at the moment. In regard to the neutrality issue, the Government is on fairly strong ground. It can reply to Nationalist criticism that the people of the Union possess the full right to decide for themselves the issues of peace and war, and it will carry the majority of the people with it in its policy of friendly co-operation with Great Britain as the only policy consistent with sense and safety. In regard to the other two matters it is on less safe ground. In spite of the recent Aliens Act it has, in regard to the Jewish question, no clearly defined policy with which to meet the criticisms of those of its own supporters, as well as the Nationalists, who find in the Jews, whether financial magnate or village store-keeper, the explanation of every economic ill. Nor on the colour question is its position too secure. There are known divergences of outlook within the Cabinet itself. Its native policy is anathema to negrophiles, whilst to negrophobes, both inside the Nationalist ranks and beyond, its failure to go the whole hog in repression seems lamentably weak.

In all these three matters, therefore, the Government is to some extent on the defensive, and in two of them its policy offers ground, however unreasonably, for charges of

indecisiveness or weakness. In the heat of an election these complaints may cost the United party some votes, but the loss is not likely seriously to impair its present overwhelming majority in Parliament. The number of votes polled by the Nationalist Opposition, however, will be a pointer to the future. The United party, if it is ultimately to retain its commanding hold on the country, will have to be more sure of itself in regard to such matters as the Jewish and native problems, the colonial problem, and the British connection. In its commendable endeavour to hold together the majority of both races in South Africa, it tends inevitably to sacrifice unity to comprehensiveness and, in slurring over differences of outlook, to avoid clear-cut definitions of policy. In South Africa, unfortunately, what is not clear is sinister, and everything that is sinister is an electioneering weapon of the first importance.

III. The Vereeniging Riot

ON Saturday, September 18, a small body of police made a liquor raid in the native location at Vereeniging, a town situated on the Vaal river some forty miles from Johannesburg. Some of the natives attacked them with stones and other missiles and the police had to retire without achieving their object. The head constable at Vereeniging thereupon asked for reinforcements, and on the following day, Sunday, a larger force drove into the location on a "pick-up van", an enclosed motor vehicle used on patrol work in which natives arrested by the police patrol are collected and conveyed to the police station. Some of the inhabitants were apparently driven by the police into the central square of the location. A large number of the natives rapidly assembled and fell upon the police, overturning their van. When their ammunition was exhausted the police retired, leaving a few of their comrades behind in the location. On returning later with reinforcements they found all quiet and were able to remove their dead and

wounded. The police casualties were two Europeans and one native killed and one European and two natives injured.

This tragic occurrence caused a considerable stir in the country, particularly among the Afrikaner community, from whose ranks the European police have of late been mainly recruited. Public meetings at Vereeniging and elsewhere in the northern provinces passed excited resolutions which revealed the racial hatreds and fears that are so easily brought to the surface in South Africa. The Government was asked to sanction an air force demonstration over the Vereeniging location and the use of tear-gas bombs, in order that the chief culprits might be compelled to hand themselves over to the police. A policeman, so it was further demanded, should be allowed in future to shoot to kill if a native rushed towards him. Other resolutions—here the cloven hoof of the politician begins to be visible—expressed dissatisfaction with the Union's native policy in that it did not sufficiently accentuate the division between European and native, and asked the Government to put an immediate stop to communist agitation and the propagation of " the liberalist doctrine of equality between black and white ".

Immediately after the riot the Government announced that the guilty would be dealt with according to law, but it also stated, through the mouth of General Smuts, that it would not tolerate the lynch law that certain Europeans had shown themselves ready to apply. A number of natives are at present standing their trial. The attorney who is appearing for the accused stated in court that he had received from a committee appointed at a public meeting held at Vereeniging a warning not to defend the natives. He has twice asked for the protection of the court in view of certain threats addressed to him.

Both the leading members of the Cabinet have made reference to the riot in public speeches. General Smuts, after warning his European audience not to indulge in loose talk about the occurrence until the full facts were known,

went on to suggest that native grievances were largely the creation of "people in this country who pretended to be the friends of the native and who persuaded him that he was an oppressed, down-trodden creature, that the white man was his enemy and exploiter and that his conditions were little better than slavery". The Prime Minister, General Hertzog, declared that the Vereeniging riot was the culmination of a series of incidents * which served "to strengthen the conviction of the European population that there was a deep rooted and far-reaching hostility, perhaps organised, among the natives towards the white man".

Until the report of the commission of enquiry into the causes of the Vereeniging outbreak becomes available, it will be wise to suspend judgment on General Hertzog's statement. But in the meantime a few preliminary comments may be made. It does not help clear thinking to lump together all cases of assault by natives on Europeans. Assaults to commit robbery are obviously in a different category from attacks on the police. That the latter have been increasing of late is a fact to which a recent commission on the Union's police forces has drawn attention. It is a fact for which we must try to find some explanation. Weighty evidence was given before the police commission that the relations between the police and the natives were degenerating, and that the native was tending more and more to regard the policeman as his enemy. The way in which the police handled natives was held to be partly to blame for this. It has been admitted by the police themselves that the natives have conceived an intense hatred of the pick-up van. The police commission comes to the conclusion that in the training of policemen "physical accomplishments" are stressed at the expense of "moral and intellectual attainments".

It is perhaps understandable that such a type of training should do little to moderate an attitude of mind towards the public

* "Numerous cases of robbery and assault on Europeans by natives during the last few months."

generally on the part of the younger and more inexperienced members of the force which is sometimes reflected in conduct leading to a certain amount of friction . . . and which sometimes expresses itself in harsh, tactless treatment coupled on occasion with an overbearing and offensive manner.

The Commission finds " an inaccurate outlook towards the urban native " among our young country-bred policemen, and recommends that " the necessity for tact and consideration in handling the urban native population " should be impressed upon them.

Large numbers of natives are annually arrested and gaoled for offences created by statute, such as failure to produce their tax receipts, going about without the requisite pass (or passes), or being found in possession of liquor. The part that the police have to play in the administration of these statutes does not add to their popularity among the natives. Let us take, for example, the liquor law, which seeks to enforce total prohibition in respect of natives, except in a few large cities where municipal brewing and sale of Kaffir beer are permitted. The attempt to detect breaches of the law involves constant raids in the urban locations, in the execution of which the police may enter native dwellings without a warrant. (In the Vereeniging location, according to the evidence of the head constable, raids sometimes took place once a week.) It is fairly generally admitted today that the law cannot be enforced as it stands, and that it has been responsible for a great deal of the native ill-feeling towards the police. In future, if the municipalities carry out the intention of Parliament as expressed in the recent Native Laws Amendment Act, the native is to have his beer—under municipal supervision. It is to be hoped that, before the Government resorts to the stern measures and stricter control which General Hertzog threatened in the speech already cited, it will try the effect of an amelioration of our native administration.

Union of South Africa,
October 1937.

NEW ZEALAND

I. National and Imperial Defence

THE ovation that Mr. Savage received on his return from England on July 28 was only what was to be expected by any of our political leaders, regardless of party, who had represented the Dominion at the Coronation and the Imperial Conference. Mr. Savage narrated in a very naïve manner the reactions of the New Zealand delegates both to the Coronation itself and to the whole Empire association. These must have been entirely satisfactory even to the minority which had professed to fear that the Labour party in office might lack some of the loyalty and enthusiasm for co-operation that have come to be expected of New Zealand. There had been some misgivings lest the Labour Government should not be prepared to take a constructive view of Empire defence as a whole, and even of the narrower question of New Zealand defence, which had suffered so much by drastic economies during the depression. The insight afforded to our delegates into the difficulties of world politics at several points of danger has, however, convinced the Government of the need for firm action and wholehearted co-operation.

"We made it plain," said Mr. Savage, "that we were concerned, not only with the defence of our own shores and our own people, but also with the defence of the whole British Commonwealth." The New Zealand delegates went to the Conference armed with the conviction of their party that they must put the economic foundation right before they could hope to erect a firm structure of peace.

I found great difficulty in getting the people to see that (he added), although it looked simple to me. All those attending

the Conference representing New Zealand thought that if we lifted the standard of life of the people of the world we would largely remove the causes of war. *We* would be using the surplus that we are trying to thrust on to others. The Conference did ultimately agree that it was a good thing to lift the standard of life, but they did not seem inclined to agree that it was the low standard of life that was largely the cause of war. I suppose one can't blame them for it.

The Prime Minister was much impressed by the helpful expert advice of the British officials and by their anxiety not to try to "force on any Dominion Government a policy which might not be acceptable to the Government, Parliament or people of that Dominion". This wise attitude made it possible for the New Zealand delegation to enter freely into the discussions and so place itself in a position to make recommendations to suit our needs. It was reassuring to hear Mr. Savage say:

If Britain were in difficulties tomorrow I don't think there would be much division. I think about the same thing would happen as happened last time. That doesn't relieve people in high positions from the responsibility they have.

Even before the delegation left New Zealand, the Government had taken some steps in defence which met with the surprised approval of people who feared a lukewarmness in this respect. After all, the Labour party was not responsible for the suspension of the system of universal training, which produced such fine results in the New Zealand youth of twenty years ago. That went by the board as a measure of economy when the Liberal party was in office in 1931. It was, however, too much to expect a Labour Government to restore compulsion except in special circumstances and after the voluntary system had again been tried out. Mr. Savage and his colleagues have not been converted on that point, but they have now enunciated a policy of rearmament which ought to satisfy all reasonable criticism and has been generally approved.

Speaking at Dunedin, Mr. Savage said:

> The Government's job is to defend New Zealand and to play an intelligent part in fitting the system of defence into the defence of the British Commonwealth. Defence is a Dominion problem, and the Government is going to face it as such. There was only one thing the Conference was united upon in every detail. That was the fact that the British Commonwealth of Nations would have to sink or swim together. We cannot set out on our own in New Zealand to have a foreign policy or to set up a defence system which would be effective against any part of the world should we get into difficulties.

Mr. Savage says he confessed to the Imperial authorities that " if we had to defend New Zealand alone we could not develop sufficient strength to pull a herring off a gridiron ".

This hardly does justice to the Government's own action. It had already provided, in 1936, for a considerable increase in our naval strength and training of personnel, and with the advice of an officer lent by the Royal Air Force had taken steps to reorganise the air arm. The facet of our defence still requiring attention was the territorial force, which is expected to furnish the bulk of the infantry and non-technical branches. That has now been dealt with. *In a statement on August 21 the Minister of Defence (Mr.* F. Jones) detailed the Government's proposals. Like the naval division and the air force, the territorials will now be controlled by a board (consisting, in this case, of the Minister of Defence, the chief of the general staff, the adjutant and quartermaster-general, and the army secretary). Co-ordinating the three boards will be a council of defence, consisting of the Prime Minister, the Minister of Defence, such other members as may be appointed by the Prime Minister, the three chiefs of staff and the secretary. This council will be responsible for advising the Government on broad matters of policy and for co-ordinating the various branches of defence, but " the Government will be entirely responsible for policy and for the provision and control of the funds to carry out its policy ". This system of control brings New Zealand into line with Great Britain and the other Dominions.

There will be active mechanisation of the force, more training in the open (including four week-end bivouacs each year in place of the old-fashioned indoor drill imparted after working hours); six days' annual camp (ten days for the artillery); three months' continuous training for coast defence; and a school for the higher training of officers. In order to make service more attractive there will be adequate pay, rations and accommodation, and a more showy parade uniform; badges, colours and regimental alliances will be retained and "traditions will neither be broken nor discarded". The Government hopes that these conditions will bring to the colours a sufficient number of young men to keep the ranks full.

The general officer commanding the New Zealand forces is not quite so certain. In his annual report, just presented to Parliament, General Duigan remarks:

> It has become even more apparent to me that the success of a voluntary system of defence depends largely on the support and encouragement it receives from the Government, the employers and the general public. . . . Since the introduction of voluntary service there has been difficulty in finding adequate numbers to fill the establishment.
>
> When compulsory military training was in force there was no difficulty in filling these establishments. . . . The strength of the territorial force is 7,900, and the attempt to carry out realistic training with such small numbers in a divisional organisation has led to unreal situations, and has been discouraging to the officers and n.c.o.'s with so few men to lead. It is also discouraging to the men themselves.

There can be no complaint about the reception of the plan by the public. The only criticism is that the Government may be tempted to use its power of appointment to swamp the professional element in the council. Many newspapers express a doubt whether the voluntary system of enrolment will attract enough men, but all appeal to the public to make some sacrifice and endeavour to infuse into defence some of the enthusiasm—almost religious in its devotion—which the average New Zealander shows towards the game of Rugby football. It is all to the good

that the question of defence is being treated in a non-party spirit. Compulsory service is the one point upon which New Zealand parties have differed traditionally, but they are agreed that the voluntary system must again be given a fair trial. If it fails, then we have at least one Liberal newspaper admitting that "only one recourse will be left—revival of the compulsory measures which, without causing any warranted heartburnings, fulfilled a more than useful purpose in the past". *

In connection with defence, Mr. Savage announced after his return from England that an organisation had been set up to deal with any national emergency that might arise. He instanced the case of the Hawkes Bay earthquake a few years ago, "when we had to start and do things quickly and get some sort of organisation together to meet the position".

We have arrived at a time (continued Mr. Savage) when these things have to be anticipated, and when we have to be prepared for them. If it did come to a declaration of war, everyone would have some idea of what would happen to our export trade. It would mean the reorganisation of our internal economy, and we have to have a machine ready for action to accomplish this. Apart from any considerations of war, we have our economic life to maintain. The objective is to be in a position to deal with any form of crisis—epidemics, earthquakes, or anything else. We don't want to have to run round and get an organisation together in the middle of a crisis.

II. The Marketing Issue

NORMALLY Parliament would have met towards the end of June. It was postponed, however, primarily on account of the Coronation, and also in order to await the return of Mr. Walter Nash, the Minister of Finance and Marketing, who had gone to England last October to inaugurate the Government's marketing policy. It is obvious that the future prosperity of the Dominion must

* *Evening Star*, Dunedin, August 23, 1937.

depend largely upon the reception given to the Government's plan by those in Great Britain to whom we sell our products; and consequently Mr. Nash's activities were followed in New Zealand with great interest. Reaching Auckland on August 14 by way of Canada and the United States, the Minister delivered himself upon his arrival of an interesting account of his stewardship.

Mr. Nash in effect took to Great Britain the offer of a national barter agreement. New Zealand proposed to utilise in the purchase of manufactures and raw materials from the United Kingdom the whole of the credits resulting from the sale of our primary products in that country, after providing for shipping charges, invisible items, debt services and a proportionate sum for the reduction of New Zealand loans outstanding in the United Kingdom. If agreement was reached, it was proposed that the United Kingdom should be given the complete market in New Zealand for special manufactures and that British producers desiring to instal plants in New Zealand should have a preference. In his statement, Mr. Nash said the British Government was reluctant to admit expanding imports into the United Kingdom, as desired by New Zealand. New Zealand recognised the rights of the producers of the United Kingdom and the difficulty that might be occasioned by falling prices on a glutted market, but "felt that we could not agree in general to the restriction or reduction of the production of any product that was necessary for human welfare". With that reservation, New Zealand was willing to co-operate with the United Kingdom in such a way that the United Kingdom farmer would receive the same treatment as the New Zealand Government was determined to give its own farmers. Agreement was reached on the marketing of beef, mutton and lamb, and bacon and pork; but after long negotiation the question of dairy products was deferred until the United Kingdom had developed its own policy. The levy to assist English producers has not yet received its quietus, but as the result

of the visit New Zealand will be free from the levy on mutton and lamb for the future. Our quota of mutton and lamb for 1937 is the highest on record—4,010,000 cwt. Of beef we can send 56,200 tons of all types: for the first time for some years no restriction is imposed.

The Minister had a very cordial welcome home, but there was a general impression that the results of his tour were negligible. In view of the improvement of the market in the last year or so, a section of the press and certain farmers' organisations frankly hoped that Mr. Nash might not succeed in his major object of reaching an exhaustive separate trade agreement with Great Britain. Meanwhile, farmers' representatives were loudly clamouring that the guaranteed price for dairy produce should be considerably higher than it was last year. The deficit which the country has to make good on last year's realisations of dairy produce will be about £650,000.

Speaking at a very friendly luncheon tendered to him by the Wellington Chamber of Commerce, Mr. Nash said:

> We have got to start new industries here because there are 25,000 unemployed in this country, and it is unfair to anyone who is competent and willing to work to be denied the right to work. If the United Kingdom determines to limit the importation of the products that we can produce in surplus from our soil, then there is nothing for our people to go to work at other than the manufacture of commodities that we today import.

That the Minister's stay in Europe had not, however, been barren was evident when Parliament met on October 6 to receive a series of customs resolutions implementing a trade agreement between New Zealand and Germany. On his return to New Zealand Mr. Nash explained that, when his negotiations in Great Britain had exhausted every avenue of expanding trade, he had discussed with Ministers there the advisability of opening negotiations with foreign countries that might offer an outlet for our surplus produce. The agreement with Germany is one of the results of this policy. Under it Germany agrees to use the credits

resulting from our purchases of German commodities entirely in the purchase of our exports. Generally speaking, Germany sells to us each year more than we sell to her. She now undertakes to correct the balance, and we are reducing duties to facilitate the equal exchange, always maintaining, however, the preference in favour of British imports. The agreement appears to be an excellent bargain for New Zealand, especially as it provides explicitly that a certain proportion of the purchases shall be butter and apples. To those who feared that British trade would be adversely affected, Mr. Nash explained that the United Kingdom Minister concerned and the Board of Trade fully concurred in his proceedings and were even anxious that such agreements should be made. The resolutions were agreed to without a division. This treaty is on the lines of agreements already in force between Canada and Germany and agreements made by New Zealand some years ago with Japan and Belgium.

III. The Guaranteed Price

PENDING the return of the delegation and the assembling of Parliament, the farmers' organisations held their customary annual conferences. At the Farmers' Union conference in July there was a consensus of opinion that farm costs had been unduly increased as the result of last year's legislation. The president (Mr. W. W. Mulholland) complained that the Government, having increased farming costs, had

> very leisurely pursued what had been announced as the first part of its policy—the raising of farmers' prices. . . . The separation of the marketing proposals from the inflationary proposals was sound. The prevention of the violent fluctuations to which farmers' markets are subject is an objective which will be viewed sympathetically by every farmer. If these fluctuations can be successfully ironed out it will be regarded by most farmers as a splendid achievement. The Primary Products Marketing Act is very ably devised to make the attempt.

Mr. Mulholland made the point, however, that the guaranteed price could succeed in the long run only if adequate reserves were built up in good seasons to meet losses incurred when prices were bad. A Government, being subject to political influences, could not build up such reserves; consequently it would be advisable to hand back the control of marketing to the industry itself. He made the further suggestion that the Union, which for the forty years of its existence has been non-party, might now become political, or form a farmers' political party which could tone down the extremes of the two main parties, or else it could affiliate with the National party.

The decision of the conference, however, was to continue "to place principles before party; to support no political organisation but to reserve the right to criticise the legislation of any political party". On the question at issue it resolved to give its support to co-operation in farmers' finance and marketing, but "where a Government makes co-operation compulsory the Union denies the right of the state to take control out of the hands of the farmers". The conference reaffirmed its old platform of opposition to state ownership and control of the means of production and exchange, while admitting that certain public services which are of a monopolistic character (for example, posts and telegraphs, railways and electric power) should be operated by the state.

The dairy farmers had to await with some impatience the return of Mr. Nash in order to hear what the guaranteed price would be for the season that opened on August 1. The Cabinet devoted a long meeting to the subject on August 28, and afterwards announced that the Government would purchase all butter manufactured during the current season at $13\frac{1}{4}$d per lb (compared with $12\frac{9}{16}$d last year) and all cheese at 7·54d per lb (compared with $6\frac{13}{16}$d last year). Though the Government had the advice of a committee in arriving at this price it declined a persistent demand to publish the report. A committee set up by the Farmers'

Union for the same purpose came to the conclusion that costs had risen by 3·385d per lb of butter-fat since the introduction of the guaranteed price a year ago. Other groups of farmers made varying calculations, one organisation in Southland demanding 1s. 6d per lb as the minimum at which they could make ends meet. With such ideas abroad it is not surprising that the announcement of 13¼d was the signal for a chorus of disappointment. A leading Opposition newspaper remarked naïvely that "the Minister has named prices that promise no better than the overseas market may be expected to give".* Replying to the Southland demand, the Minister said: "The Government did not respond to other demands than the demands of reason. There wouldn't be any dairy industry at all in three years if such people had their way."

A few days later regulations were gazetted fixing the prices at which butter is to be sold wholesale on the New Zealand market, namely: first-grade creamery butter, 1s. 2½d per lb net wholesale; second-grade, 1s. 1¾d; whey butter, 1s. 1½d. This scale will call for an increase of 1d per lb in the retail price in New Zealand. The director of internal marketing has controlled the sale of butter in the Wellington district since May of this year, the Government having bought out a well-known distributor and appointed him director. This control is shortly to be extended to the rest of the Dominion for both butter and cheese. In one district at least (Hawkes Bay), the co-operative dairy interests desired to do their own marketing, and the Minister has entrusted to a company formed for the purpose the sole distribution in that area, transferring to it the business that the Government had taken over.

When feeling was supposed by a large section of the press to be running high against the Government's guaranteed price, Mr. Nash addressed a large meeting at Stratford, in the centre of an important dairying district which voted solidly against Labour at the general election

* *New Zealand Herald*, August 30, 1937.

of November 1935. The Minister is entitled to take comfort from the fact that no expression of opinion, either favourable or hostile, was passed by way of resolution; "his replies seemed to meet with general satisfaction"; and he received a hearty vote of thanks.

The Southland dairy farmers are protesting against the guaranteed price, and preparing a petition for presentation to Parliament, on the ground that the net return to the dairy farmer on the new price will be lower than the wages paid to skilled workers, though the farmer is said to work from 60 to 70 hours a week, compared with the skilled worker's 40. No mention is made of special conditions in Southland that might justify this plea, such as the higher cost involved in winter feeding of cows; this factor is in fact probably offset by the generally lower burden of interest in this Cinderella province, which woke up late to a realisation of its wealth and has happily avoided the excesses of boom periods.

IV. Wage Fixing

A DECISION that may vitally affect the clerical workers of the Dominion was delivered in the Court of Appeal on August 2, when it was laid down that clerical work does not constitute an industry within the meaning of the law, since it is not an occupation in which both worker and employer are engaged. Consequently the award made by the Arbitration Court in the case of the Otago clerical workers, implementing an important part of the Labour Government's policy, was declared invalid. Believing that they were obliged to form unions under the Act of last session, the clerks proceeded to organise themselves. Certain categories, such as clerks in banks, insurance companies, and stock and station agencies, who were already organised in guilds, wished to register separately, apart from the general clerical workers' union. The Minister of Labour contended that clerical workers should

organise as an industry and form one union, a class of organisation that is the *bête noire* of employers' associations. He had, however, given his sanction to separate registration of several of the guilds. The present decision rather took the ground from under the Minister's feet; but a Bill has already been introduced to make the Government's intention clear.

Another interesting decision was delivered in the Arbitration Court at Auckland in September, determining the standard wages for casual unskilled and skilled labour. This being in the nature of a test case, elaborate analyses of the cost of living were put in by various interests concerned. The court was presided over by Mr. Justice O'Regan, who forty years ago was a very promising figure in Liberal politics and has since appeared frequently as a barrister in industrial disputes. The decision of the court, delivered on September 8, fixed the standard wages, apart from special considerations, as follows: skilled labour, 2s. 9d an hour; semi-skilled labour, 2s. 5d to 2s. 7½d an hour; unskilled, 2s. 4d. These are intended to be general standard minimum rates for casual labour, and are not necessarily applicable where employment is regular throughout the year. On the other hand, higher rates might be warranted, the court says, where the work is specially unpleasant or arduous.

V. The Political Arena

THE long recess of about ten months has enabled the parties in opposition to the Government to do some solid organising, and today there are signs of a definite alignment of two parties, in place of the three or more that have persisted for the past thirty years. Though styled "Labour" and glorying in the epithet "socialist", the Government has laid claim to be the successors of the continuous Liberal administration of Ballance, Seddon and Ward, 1891 to 1912. In a batch of five new members

appointed to the Legislative Council a few days ago (including the national secretary of the Labour party) the only one not of the Labour party was the Hon. Jonathan Trevethick. He was a prominent official of the old Liberal party, and as such was first appointed to the Council by the United (Liberal) Government in 1930. The decision of the Government to assist in the erection of a memorial to Sir Joseph Ward is another gesture of its assumption of the mantle of Seddonian liberalism and an appeal to the orthodox liberal school of thought.

A prominent Liberal organ in the far south recently advised the Labour party to keep its more advanced wing in check and to seek its strength in an accession of followers from the moderate Liberals. The *Southland Daily News* wrote on July 6:

> One result of the activities of the National party has been to demonstrate that in all the cities of New Zealand the old Liberal-Labour sentiment still survives as a vigorous plant. The time has arrived when a return to the Seddon tradition is indicated. The natural alliance is not between Reform and Liberal, but between the democratic forces which have dissipated their strength in internecine warfare, each seeking an independent triumph. . . . If the enemies of the Labour Government are casting their lot with one another, those who are giving the Government moral support should be induced to transmute their tentative sympathy into a definite alliance. . . . Already it must be evident to Ministers that they cannot keep up the pace set by this comparatively insignificant but amazingly articulate group which would make a "killing" at any expense to the country. We always had these extremists with us; but their opinions were never permitted to turn the Ballance, Seddon or Ward Governments from a policy dictated by sanity.

The National party seems to be well forward with its electoral arrangements and is having encouraging success in the country, though it remains to be seen whether it is gaining new adherents from Labour or merely bringing into its fold anti-Labour voters who supported the third party (Democrats) in 1935. Even that would reduce Labour's parliamentary majority.

The census taken on April 1 was followed as a matter of

course by a readjustment of electoral boundaries to correspond with the movement of population. The commission sat in July, and as a result of its deliberations the South Island loses one parliamentary seat (which happens to be an Otago seat held by a Labour member). The transference of this seat to the North Island is effected by a general shuffle and the creation of new constituencies in the vicinity of Auckland city and Wellington city. The South Island now has 28 seats in Parliament and the North Island 48. The four Maori members make up the full House of 80.

The decision of the Government to go to the country at the end of 1938 was not unexpected. The Labour party had consistently opposed the extension of the life of Parliament from three years to four except on the express mandate of the electorate. Its objection was really to the method of carrying out the change, the effect of which was to extend the life of the last Parliament and Government by a year. Having registered its protest against the change, Labour now considers itself obliged to revert to the three-year term. Commenting on the matter Mr. Savage said :

> The Labour party objected to the coalition Government's extension of the normal life of the last Parliament by one year. The present law will be repealed this year, and thereafter any change made by the Government in the term of Parliament will be made with the consent of the people.

Parliament was opened on September 9. A week later the Leader of the Opposition (Mr. A. Hamilton) moved an amendment to the address-in-reply. The amendment, consisting of eight or nine clauses, declared " that the Government's persistent encroachment upon the right of private ownership and its bureaucratic method of control of industry have created a serious lack of confidence in the development of New Zealand's industrial enterprise, which is jeopardising the sound progress of the Dominion ". The Government was further charged with failing to honour its election pledges to absorb the unemployed,

to raise the standard of living of the dairy farmers, to remove the sales tax and prevent increase of taxation, and to reduce the cost of living. The division, which took place on September 23, resulted in a Government victory by 52 to 17. Two Independents voted for the Government and one against.

This debate out of the road, the country awaited with its usual uneasiness the appearance of the budget, fully believing from the persistent statements of the Opposition press that there would be a drastic adjustment of taxation, especially on higher incomes, to meet the rapidly mounting cost of social services. The Opposition was not entirely to blame for this uneasiness. Mr. Savage in particular had referred on several occasions to taxation, and had announced that a commission had been sitting during the recess with a view to making the incidence "more equitable from Labour's point of view". Contrary to general expectation, the budget, presented on September 28, provided for no new taxation at all. A record figure of £64,600,000 for our exports to June 30, due both to higher prices and to increased output, enabled the Minister of Finance to give a happy account of the Government's financial position, unmarred by threats of higher taxation. The revenue from wages tax indicated that salaries and wages increased in the year by £12,000,000. Mr. Nash claimed that "there is general agreement amongst those qualified to judge that the marketing operations during the past year have been entirely successful. The administration has proceeded smoothly, and dairy factory companies have been enabled to pay uniform butter-fat prices to their suppliers at a higher level than would have been possible under the old system of marketing." The amount to be provided for public works this year is £17,367,000, of which £3,700,000 is for highways and roads and £4,295,000 for railway construction. Last year the total revenue was £31,147,000 and the expenditure £30,675,000, giving a surplus of £472,000. On the general estimates the Minister budgets

this year for a revenue of £34,778,000 (including £3,400,000 more from taxation), and expenditure amounting to £34,728,000, leaving an estimated surplus of £50,000. The expansion of social services under last year's legislation will bring the cost up to £12,168,000 in the current year, compared with £9,913,000 last year. Our defence expenditure will amount to £1,600,000, compared with £1,192,000 for 1936–37. The touchy question of the use of credit Mr. Nash dealt with in his peroration:

> There is much unreasoned criticism with regard to the use of credit. Money and credit are means to an end. It cannot be too strongly emphasised that more production and better services are the essentials of security and of higher living standards and that money or credit is useful only when it serves this end. This means that the Government, to succeed, must have the full co-operation of workers in all fields—on the farm, in the factories, on our roads and in commerce.

The broadcast of the budget speech was quite an unexceptionable use of radio by the Government, and much more effective than the old method of telegraphing the whole speech to every local newspaper in the Dominion.

Public resentment against the action of Japan in China was expressed by a refusal of the waterside workers at a number of ports to load cargo in Japanese steamers. For some years past, Japan has been taking an increasing amount of our exports; in the half-year just closed her purchases totalled £2,700,000. The purchase of scrap metal has been regarded with suspicion for some time, and when the hostilities broke out the unions were moved by their sympathy with China to refuse to work cargo for Japanese ships. The Government lost no time in intervening. "There is only one body in a position of authority in New Zealand," said Mr. Savage, "and that is the Government. We are not going to have five or six different organisations standing up and telling us with which countries we are going to trade." The Minister of Labour consulted with the unions, and the men agreed to resume loading Japanese ships on the understanding that no scrap

metal was included. The Government accordingly gazetted an order-in-council on October 7 prohibiting the export of scrap metal to any country.

New Zealand,
October 1937.

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